



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

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DATE April 24, 2006  
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TREY GRAYSON  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY R. Adler

**VETO MESSAGE FROM THE**

**GOVERNOR OF THE COMMONWEALTH OF KENTUCKY**

**House Bill 557 of the 2006 Regular Session – Partial Veto #1**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following parts:*

Page 39, lines 2 through 23, in their entirety.  
Page 44, lines 9 through 12, in their entirety.  
Page 45, lines 5 through 27, in their entirety.  
Page 46, lines 1 through 3, in their entirety.

*These parts amend parts of House Bill 380 which I simultaneously have vetoed, rendering these vetoed parts of House Bill 557 superfluous.*

**House Bill 557 of the 2006 Regular Session – Partial Veto #2**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 43, lines 22 through 27, in their entirety.  
Page 44, lines 1 through 4, in their entirety.

*This part amends parts of House Bill 380 which I simultaneously have vetoed, rendering this vetoed part of House Bill 557 superfluous.*



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

### **House Bill 557 of the 2006 Regular Session – Partial Veto #3**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:*

Page 44, line 7, after the word “grants” delete “and on line 25, delete ‘these funds’”.

Page 44, line 8, in its entirety.

*This part amends a part of House Bill 380 which I simultaneously have vetoed, rendering this vetoed part of House Bill 557 superfluous.*

### **House Bill 557 of the 2006 Regular Session – Partial Veto #4**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 48, lines 5 through 8, in their entirety.

*This part amends the fiscal year for which \$500,000 in appropriated in House Bill 380 from fiscal year 2006-2007 to fiscal year 2005-2006. I am vetoing this part because this part and the part of House Bill 380 it seeks to amend represent a specific project appropriation from the Community Development Fund Projects appropriation in House Bill 380, Part II, A., 4., 005. That capital appropriation only includes appropriations for fiscal year 2006-2007 and for fiscal year 2007-2008, and no capital appropriation for fiscal year 2005-2006. My partial veto will preserve the project appropriation, and properly align this specific project appropriation with the Community Development Fund Projects appropriation.*

### **House Bill 557 of the 2006 Regular Session – Partial Veto #5**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 48, line 14, after the word “the” delete “by the Legislative Research”.

Page 48, line 15, delete “Commission”.

*This part directs the Legislative Research Commission to adjust the General Assembly's appropriation of \$25,000,000 from the Budget Reserve Trust Fund in House Bill 380 to take into account legislation enacted subsequent to the passage of House Bill 380. I am vetoing this part because the Kentucky Constitution vests legislative power in the General Assembly, not the Legislative Research Commission. The General Assembly may not delegate, during the interim between sessions, its appropriations power to the Legislative Research Commission. As the Supreme Court of Kentucky ruled in Legislative Research Commission v. Brown: “The legislative power shall be vested in a House of Representatives and a Senate, which, together,*

*shall be styled the 'General Assembly of the Commonwealth of Kentucky'. Whatever else the LRC may constitutionally do, it may not legislate."*

*Done this 24<sup>th</sup> day of April, 2006.*

A handwritten signature in cursive script that reads "Ernie Fletcher". The signature is written in black ink and is positioned above a horizontal line.

*Ernie Fletcher, Governor*

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# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2006 REGULAR SESSION

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HOUSE BILL NO. 557

AS ENACTED AND VETOED IN PART

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WEDNESDAY, APRIL 12, 2006 - AS ENACTED

MONDAY, APRIL 24, 2006 - VETOED IN PART

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Informational Copy

RECEIVED AND FILED  
DATE April 28 2006  
9.44 a.m.  
\_\_\_\_\_  
TREY GRAYSON  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY Kandice Adkins

AN ACT relating to governmental operations, making an appropriation therefor, and declaring an emergency.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

1       Section 1. KRS 13B.020 is amended to read as follows:

2       (1) The provisions of this chapter shall apply to all administrative hearings conducted  
3       by an agency, with the exception of those specifically exempted under this section.

4       The provisions of this chapter shall supersede any other provisions of the Kentucky  
5       Revised Statutes and administrative regulations, unless exempted under this section,  
6       to the extent these other provisions are duplicative or in conflict. This chapter  
7       creates only procedural rights and shall not be construed to confer upon any person  
8       a right to hearing not expressly provided by law.

9       (2) The provisions of this chapter shall not apply to:

10       (a) Investigations, hearings to determine probable cause, or any other type of  
11       information gathering or fact finding activities;

12       (b) Public hearings required in KRS Chapter 13A for the promulgation of  
13       administrative regulations;

14       (c) Any other public hearing conducted by an administrative agency which is  
15       nonadjudicatory in nature and the primary purpose of which is to seek public  
16       input on public policy making;

17       (d) Military adjudicatory proceedings conducted in accordance with KRS Chapter  
18       35;

19       (e) Administrative hearings conducted by the legislative and judicial branches of  
20       state government;

21       (f) Administrative hearings conducted by any city, county, urban-county, charter  
22       county, or special district contained in KRS Chapters 65 to 109, or any other  
23       unit of local government operating strictly in a local jurisdictional capacity;

24       (g) Informal hearings which are part of a multilevel hearing process that affords

1 an administrative hearing at some point in the hearing process if the  
 2 procedures for informal hearings are approved and promulgated in accordance  
 3 with subsections (4) and (5) of this section;

4 (h) Limited exemptions granted for specific hearing provisions and denoted by  
 5 reference in the text of the applicable statutes or administrative regulations;

6 (i) Administrative hearings exempted pursuant to subsection (3) of this section;

7 (j) Administrative hearings exempted, in whole or in part, pursuant to  
 8 subsections (4) and (5) of this section; and

9 (k) Any administrative hearing which was commenced but not completed prior to  
 10 July 15, 1996.

11 (3) The following administrative hearings are exempt from application of this chapter  
 12 in compliance with 1994 Ky. Acts ch. 382, sec. 19:

13 (a) Finance and Administration Cabinet

14 1. Higher Education Assistance Authority

15 a. Wage garnishment hearings conducted under authority of 20  
 16 U.S.C. sec. 1095a and 34 C.F.R. sec. 682.410

17 b. Offset hearings conducted under authority of 31 U.S.C. sec. 3720A  
 18 and sec. 3716, and 34 C.F.R. sec. 30.33

19 2. Department of Revenue

20 a. Any licensing and bond revocation hearings conducted under  
 21 the authority of KRS 138.210 to 138.448 and 234.310 to 234.440

22 b. Any license revocation hearings under KRS 131.630 and 138.130  
 23 to 138.205

24 (b) Cabinet for Health and Family Services

25 1. Office of Certificate of Need

26 a. Certificate-of-need hearings and licensure conducted under  
 27 authority of KRS Chapter 216B

- 1                   b.    Licensure revocation hearings conducted under authority of KRS
- 2                   Chapter 216B
- 3           2.    Department for Community Based Services
- 4                   a.    Supervised placement revocation hearings conducted under
- 5                   authority of KRS Chapter 630
- 6           3.    Department for Disability Determination Services
- 7                   a.    Disability determination hearings conducted under authority of 20
- 8                   C.F.R. sec. 404
- 9   (c)   Justice Cabinet
- 10           1.   Department of State Police
- 11                   a.    State Police Trial Board disciplinary hearings conducted under
- 12                   authority of KRS Chapter 16
- 13           2.   Department of Corrections
- 14                   a.    Parole Board hearings conducted under authority of KRS Chapter
- 15                   439
- 16                   b.    Prison adjustment committee hearings conducted under authority
- 17                   of KRS Chapter 197
- 18                   c.    Prison grievance committee hearings conducted under authority of
- 19                   KRS Chapters 196 and 197
- 20           3.   Department of Juvenile Justice
- 21                   a.    Supervised placement revocation hearings conducted under KRS
- 22                   Chapter 635
- 23   (d)   Environmental and Public Protection Cabinet
- 24           1.   Department for Natural Resources
- 25                   a.    Surface mining hearings conducted under authority of KRS
- 26                   Chapter 350
- 27           2.   Department for Environmental Protection



- 1                   a.   Wild River hearings conducted under authority of KRS Chapter  
2                               146
- 3                   b.   Water resources hearings conducted under authority of KRS  
4                               Chapter 151
- 5                   c.   Water plant operator and water well driller hearings conducted  
6                               under authority of KRS Chapter 223
- 7                   d.   Environmental protection hearings conducted under authority of  
8                               KRS Chapter 224
- 9                   e.   Petroleum Storage Tank Environmental Assurance Fund hearings  
10                              under authority of KRS Chapter 224
- 11                3.   Office of Workers' Claims
- 12                   a.   Workers' compensation hearings conducted under authority of  
13                              KRS Chapter 342
- 14                4.   Kentucky Occupational Safety and Health Review Commission
- 15                   a.   Occupational safety and health hearings conducted under authority  
16                              of KRS Chapter 338
- 17                5.   Department of Public Protection
- 18                   a.   Board of Claims
- 19                            i    Liability hearings conducted under authority of KRS Chapter  
20                                      44
- 21                   b.   Public Service Commission
- 22                            i    Utility hearings conducted under authority of KRS Chapters  
23                                      74, 278, and 279
- 24                (e)   Cabinet for Workforce Development
- 25                   1.   Department for Employment Services
- 26                            a.   Unemployment Insurance hearings conducted under authority of  
27                                      KRS Chapter 341

- 1 (f) Secretary of State
- 2 1. Registry of Election Finance
- 3 a. Campaign finance hearings conducted under authority of KRS
- 4 Chapter 121
- 5 (g) State universities and colleges
- 6 1. Student suspension and expulsion hearings conducted under authority of
- 7 KRS Chapter 164
- 8 2. University presidents and faculty removal hearings conducted under
- 9 authority of KRS Chapter 164
- 10 3. Campus residency hearings conducted under authority of KRS Chapter
- 11 164
- 12 4. Family Education Rights to Privacy Act hearings conducted under
- 13 authority of 20 U.S.C. sec. 1232 and 34 C.F.R. sec. 99
- 14 5. Federal Health Care Quality Improvement Act of 1986 hearings
- 15 conducted under authority of 42 U.S.C. sec. 11101 to 11115 and KRS
- 16 Chapter 311.
- 17 (4) Any administrative hearing, or portion thereof, may be certified as exempt by the
- 18 Attorney General based on the following criteria:
- 19 (a) The provisions of this chapter conflict with any provision of federal law or
- 20 regulation with which the agency must comply, or with any federal law or
- 21 regulation with which the agency must comply to permit the agency or
- 22 persons within the Commonwealth to receive federal tax benefits or federal
- 23 funds or other benefits;
- 24 (b) Conformity with the requirement of this chapter from which exemption is
- 25 sought would be so unreasonable or so impractical as to deny due process
- 26 because of undue delay in the conduct of administrative hearings; or
- 27 (c) The hearing procedures represent informal proceedings which are the

1 preliminary stages or the review stages of a multilevel hearing process, if the  
 2 provisions of this chapter or the provisions of a substantially equivalent  
 3 hearing procedure exempted under subsection (3) of this section are applied at  
 4 some level within the multilevel process.

5 (5) The Attorney General shall not exempt an agency from any requirement of this  
 6 chapter until the agency establishes alternative procedures by administrative  
 7 regulation which, insofar as practical, shall be consistent with the intent and purpose  
 8 of this chapter. When regulations for alternative procedures are submitted to the  
 9 Administrative Regulation Review Subcommittee, they shall be accompanied by the  
 10 request for exemption and the approval of exemption from the Attorney General.  
 11 The decision of the Attorney General, whether affirmative or negative, shall be  
 12 subject to judicial review in the Franklin Circuit Court within thirty (30) days of the  
 13 date of issuance. The court shall not overturn a decision of the Attorney General  
 14 unless the decision was arbitrary or capricious or contrary to law.

15 (6) Except to the extent precluded by another provision of law, a person may waive any  
 16 procedural right conferred upon that person by this chapter.

17 Section 2. KRS 131.081 is amended to read as follows:

18 The following rules, principles, or requirements shall apply in the administration of all  
 19 taxes subject to the jurisdiction of the Department of Revenue.

20 (1) The department shall develop and implement a Kentucky tax education and  
 21 information program directed at new taxpayers, taxpayer and industry groups, and  
 22 department employees to enhance the understanding of and compliance with  
 23 Kentucky tax laws, including the application of new tax legislation to taxpayer  
 24 activities and areas of recurrent taxpayer noncompliance or inconsistency of  
 25 administration.

26 (2) The department shall publish brief statements in simple and nontechnical language  
 27 which explain procedures, remedies, and the rights and obligations of taxpayers and

1 the department. These statements shall be provided to taxpayers with the initial  
 2 notice of audit; each original notice of tax due; each denial or reduction of a refund  
 3 or credit claimed by a taxpayer; each denial, cancellation, or revocation of any  
 4 license, permit, or other required authorization applied for or held by a taxpayer;  
 5 and, if practical and appropriate, in informational publications by the department  
 6 distributed to the public.

7 (3) Taxpayers shall have the right to be assisted or represented by an attorney,  
 8 accountant, or other person in any conference, hearing, or other matter before the  
 9 department. The taxpayer shall be informed of this right prior to conduct of any  
 10 conference or hearing.

11 (4) The department shall perform audits and conduct conferences and hearings only at  
 12 reasonable times and places.

13 (5) Taxpayers shall have the right to make audio recordings of any conference with or  
 14 hearing by the department. The department may make similar audio recordings{  
 15 ~~only~~} if prior written notice is given to the taxpayer **or if the taxpayer records the**  
 16 **conference or hearing**. The taxpayer shall be entitled to a copy of this department  
 17 recording or a transcript as provided in KRS 61.874.

18 (6) If any taxpayer's failure to submit a timely return or payment to the department is  
 19 due to the taxpayer's reasonable reliance on written advice from the department, the  
 20 taxpayer shall be relieved of any penalty or interest with respect thereto, provided  
 21 the taxpayer requested the advice in writing from the department and the specific  
 22 facts and circumstances of the activity or transaction were fully described in the  
 23 taxpayer's request, the department did not subsequently rescind or modify the advice  
 24 in writing, and there were no subsequent changes in applicable laws or regulations  
 25 or a final decision of a court which rendered the department's earlier written advice  
 26 no longer valid.

27 (7) Taxpayers shall have the right to receive a copy of any audit of the department by

1 the Auditor of Public Accounts relating to the department's compliance with the  
2 provisions of KRS 131.041 to 131.081.

3 (8) The department shall include with each notice of tax due a clear and concise  
4 description of the basis and amount of any tax, penalty, and interest assessed against  
5 the taxpayer, and copies of the agent's audit workpapers and the agent's written  
6 narrative setting forth the grounds upon which the assessment is made. Taxpayers  
7 shall be similarly notified regarding the denial or reduction of any refund or credit  
8 claim filed by a taxpayer.

9 (9) Taxpayers shall have the right to an installment payment agreement for the payment  
10 of delinquent taxes, penalties, and interest owed, provided the taxpayer requests the  
11 agreement in writing clearly demonstrating his inability to pay in full and that the  
12 agreement will facilitate collection by the department of the amounts owed. The  
13 department may modify or terminate an installment payment agreement if it  
14 determines the taxpayer has not complied with the terms of the agreement; the  
15 taxpayers' financial condition has sufficiently changed; the taxpayer fails to provide  
16 any requested financial condition update information; the taxpayer gave false or  
17 misleading information in securing the agreement; or the taxpayer fails to timely  
18 report and pay any other tax due the Commonwealth. The department shall give  
19 written notice to the taxpayer at least thirty (30) days prior to modifying or  
20 terminating an installment payment agreement unless the department has reason to  
21 believe that collection of the amounts owed will be jeopardized in whole or in part  
22 by delay.

23 (10) The department shall not knowingly authorize, require, or conduct any investigation  
24 or surveillance of any person for nontax administration related purposes, except  
25 internal security related investigations involving Department of Revenue personnel.

26 (11) In addition to the circumstances under which an extension of time for filing reports  
27 or returns may be granted pursuant to KRS 131.170, taxpayers shall be entitled to

1 the same extension of the due date of any comparable Kentucky tax report or return  
2 for which the taxpayer has secured a written extension from the Internal Revenue  
3 Service provided the taxpayer notifies the department in writing and provides a  
4 copy of the extension at the time and in the manner which the department may  
5 require.

6 (12) The department shall bear the cost or, if paid by the taxpayer, reimburse the  
7 taxpayer for recording or bank charges as the direct result of any erroneous lien or  
8 levy by the department, provided the erroneous lien or levy was caused by  
9 department error and, prior to issuance of the erroneous lien or levy, the taxpayer  
10 timely responded to all contacts by the department and provided information or  
11 documentation sufficient to establish his or her position. When the department  
12 releases any erroneous lien or levy, notice of the fact shall be mailed to the taxpayer  
13 and, if requested by the taxpayer, a copy of the release, together with an  
14 explanation, shall be mailed to the major credit reporting companies located in the  
15 county where it was filed.

16 (13) The department shall not evaluate individual officers or employees on the basis of  
17 taxes assessed or collected or impose or suggest tax assessment or collection quotas  
18 or goals.

19 (14) Taxpayers shall have the right to bring an action for damages against the  
20 Commonwealth to the Board of Claims for actual and direct monetary damages  
21 sustained by the taxpayer as a result of willful, reckless, and intentional disregard by  
22 department employees of the rights of taxpayers as set out in KRS 131.041 to  
23 131.081 or in the tax laws administered by the department. In the awarding of  
24 damages pursuant to this subsection, the board shall take into consideration the  
25 negligence or omissions, if any, on the part of the taxpayer which contributed to the  
26 damages. If any proceeding brought by a taxpayer is ruled frivolous by the board,  
27 the department shall be reimbursed by the taxpayer for its costs in defending the

1 action.

2 (15) Taxpayers shall have the right to privacy with regard to the information provided on  
 3 their Kentucky tax returns and reports, including any attached information or  
 4 documents. Except as provided in KRS 131.190, no information pertaining to the  
 5 returns, reports, or the affairs of a person's business shall be divulged by the  
 6 department to any person or be intentionally and without authorization inspected by  
 7 any present or former commissioner or employee of the Department of Revenue,  
 8 member of a county board of assessment appeals, property valuation administrator  
 9 or employee, or any other person.

10 Section 3. KRS 138.450 is amended to read as follows:

11 As used in KRS 138.455 to 138.470, unless the context requires otherwise:

12 (1) "Current model year" means a motor vehicle of either the model year corresponding  
 13 to the current calendar year or of the succeeding calendar year, if the same model  
 14 and make is being offered for sale by local dealers;

15 (2) "Dealer" means "motor vehicle dealer" as defined in KRS 190.010;

16 (3) "Dealer demonstrator" means a new motor vehicle or a previous model year motor  
 17 vehicle with an odometer reading of least one thousand (1,000) miles that has been  
 18 used either by representatives of the manufacturer or by a licensed Kentucky dealer,  
 19 franchised to sell the particular model and make, for demonstration;

20 (4) "Historic motor vehicle" means a motor vehicle registered and licensed pursuant to  
 21 KRS 186.043;

22 (5) "Motor vehicle" means any vehicle that is propelled by other than muscular power  
 23 and that is used for transportation of persons or property over the public highways  
 24 of the state, except road rollers, mopeds, vehicles that travel exclusively on rails,  
 25 and vehicles propelled by electric power obtained from overhead wires;

26 (6) "Moped" means either a motorized bicycle whose frame design may include one (1)  
 27 or more horizontal crossbars supporting a fuel tank so long as it also has pedals, or a

1 motorized bicycle with a step through type frame which may or may not have pedals  
 2 rated no more than two (2) brake horsepower, a cylinder capacity not exceeding  
 3 fifty (50) cubic centimeters, an automatic transmission not requiring clutching or  
 4 shifting by the operator after the drive system is engaged, and capable of a  
 5 maximum speed of not more than thirty (30) miles per hour;

6 (7) "New motor vehicle" means a motor vehicle of the current model year which has  
 7 not previously been registered in any state or country;

8 (8) "Previous model year motor vehicle" means a motor vehicle not previously  
 9 registered in any state or country which is neither of the current model year nor a  
 10 dealer demonstrator;

11 (9) "Total consideration given" means the amount given, valued in money, whether  
 12 received in money or otherwise, at the time of purchase or at a later date, including  
 13 consideration given for all equipment and accessories, standard and optional~~], as~~  
 14 ~~attested to in a notarized affidavit signed by both the buyer and the seller. The~~  
 15 ~~signatures of the buyer and seller shall be individually notarized].~~ "Total  
 16 consideration given" shall not include:

17 (a) Any amount allowed as a manufacturer or dealer rebate if the rebate is  
 18 provided at the time of purchase and is applied to the purchase of the motor  
 19 vehicle;

20 (b) Any interest payments to be made over the life of a loan for the purchase of a  
 21 motor vehicle; and

22 (c) The value of any items that are not equipment or accessories including but not  
 23 limited to extended warranties, service contracts, and items that are given  
 24 away as part of a promotional sales campaign;

25 (10) "Trade-in allowance" means:

26 (a) The value assigned by the seller of a motor vehicle to a motor vehicle  
 27 registered to the purchaser and offered in trade by the purchaser as part of



the total consideration given by the purchaser and included in the notarized affidavit attesting to total consideration given; or

**(b) In the absence of a notarized affidavit, the value of the vehicle being offered in trade as established by the department through the use of the reference manual;**

(11) "Used motor vehicle" means a motor vehicle which has been previously registered in any state or country;

(12) **(a)** "Retail price" ~~{of motor vehicles shall be determined as follows:~~

~~(a)—}~~for:

**1.** New **motor vehicles;**~~;~~

**2.** Dealer demonstrator **vehicles;**~~;~~

**3.** Previous model year motor vehicles; and

**4.** U-Drive-It motor vehicles that have been transferred within one hundred eighty (180) days of being registered as a U-Drive-It and that have less than five thousand (5,000) miles;~~;~~ **"retail price"**

**means**~~{ shall be }~~ the total consideration given~~{ at the time of purchase or at a later date }~~, including any trade-in allowance, as attested to in a notarized affidavit.

**(b)** If a notarized affidavit~~{ signed by both the buyer and seller }~~ is not available~~{ to establish total consideration given }~~, "retail price" **means**~~{ shall be }~~:

1. Ninety percent (90%) of the manufacturer's suggested retail price of the vehicle with all equipment and accessories, standard and optional, and transportation charges; or

2. Eighty-one percent (81%) of the manufacturer's suggested retail price of the vehicle with all equipment and accessories, standard and optional, and transportation charges in the case of new trucks of gross weight in excess of ten thousand (10,000) pounds;~~;~~ **and**

1        ~~(c)(3)~~ "Retail price" shall not include that portion of the price of the vehicle  
 2        attributable to equipment or adaptive devices necessary to facilitate or  
 3        accommodate an operator or passenger with physical disabilities;

4        ~~(13)(b)~~ **"Retail price"** for historic motor vehicles~~["retail price"]~~ shall be one  
 5        hundred dollars (\$100);

6        ~~(14)(e)~~ **"Retail price"** for used motor vehicles being registered by a new resident for  
 7        the first time in Kentucky whose values appear in the~~automotive~~ reference  
 8        manual **means**~~prescribed by the Department of Revenue, "retail price" shall be~~  
 9        the~~average~~ trade-in value given in the reference manual;

10       ~~(15)(d)~~ **"Retail price"** for~~the~~ older used motor vehicles being registered by a new  
 11       resident for the first time in Kentucky whose values no longer appear in the~~automotive~~  
 12       reference manual~~["retail price"]~~ shall be one hundred dollars (\$100);

13       ~~(16)(e)~~ ~~[For used motor vehicles previously registered in another state or country that~~  
 14       ~~were purchased out of state by a Kentucky resident who is registering the vehicle in~~  
 15       ~~Kentucky for the first time, "retail price" shall be the total consideration given at the~~  
 16       ~~time of purchase or at a later date, including the average trade-in value given in the~~  
 17       ~~automotive reference manual prescribed by the Department of Revenue for any~~  
 18       ~~vehicle given in trade;]~~

19       ~~(a)(f)~~ **"Retail price"** for:

20            1. Used motor vehicles, **except those vehicles for which the retail price is**  
 21            **established in subsection (13), (14), or (15) of this section;**~~[previously~~  
 22            ~~registered in Kentucky that are sold in Kentucky,]~~ and

23            2. U-Drive-It motor vehicles that are not transferred within one hundred  
 24            eighty (180) days of being registered as a U-Drive-It or that have more  
 25            than five thousand (5,000) miles;~~["retail price"]~~

26            means the total consideration given, excluding any amount allowed as a trade-  
 27            in allowance by the seller.

1       **(b)** The trade-in allowance shall also be disclosed in the notarized affidavit{  
2       ~~signed by the buyer and the seller attesting to the total consideration given~~}.

3       **(c)** If a notarized affidavit~~{ signed by both the buyer and the seller }~~ is not  
4       available~~{ to establish the total consideration given for a motor vehicle }~~,  
5       "retail price" shall be established by the department~~{ of Revenue }~~ through the  
6       use of the~~{ automotive }~~ reference manual~~{ prescribed by the Department of~~  
7       Revenue};

8       **(17)(g)** Except as provided in KRS 138.470(6), if a motor vehicle is received by an  
9       individual as a gift and not purchased or leased by the individual, "retail price" shall  
10      be the~~{ average }~~ trade-in value given in the~~{ automotive }~~ reference manual~~{~~  
11      ~~prescribed by the Department of Revenue~~};

12     **(18)(h)** If a dealer transfers a motor vehicle which he has registered as a loaner or  
13      rental motor vehicle within one hundred eighty (180) days of the registration, and if  
14      less than five thousand (5,000) miles have been placed on the vehicle during the  
15      period of its registration as a loaner or rental motor vehicle, then the "retail price" of  
16      the vehicle shall be the same as the retail price determined by paragraph (a) of~~{ this }~~  
17      subsection **(12) of this section** computed as of the date on which the vehicle is  
18      transferred;~~{ and }~~

19     **(19)(13)** "Loaner or rental motor vehicle" means a motor vehicle owned or registered  
20      by a dealer and which is regularly loaned or rented to customers of the service or  
21      repair component of the dealership;

22     **(20) "Department" means the Department of Revenue;**

23     **(21) "Notarized affidavit" means a dated affidavit signed by the buyer and the seller**  
24       **on which the signature of the buyer and the signature of the seller are**  
25       **individually notarized; and**

26     **(22) "Reference manual" means the automotive reference manual prescribed by the**  
27       **department.**

1 Section 4. KRS 138.460 is amended to read as follows:

2 (1) A tax levied upon its retail price at the rate of six percent (6%) shall be paid on the  
3 use in this state of every motor vehicle, except those exempted by KRS 138.470, at  
4 the time and in the manner provided in this section.

5 (2) The tax shall be collected by the county clerk or other officer with whom the  
6 vehicle is required to be titled or registered:

7 (a) When the fee for titling or registering a motor vehicle the first time it is  
8 offered for titling or registration in this state is collected; or

9 (b) Upon the transfer of title or registration of any motor vehicle previously titled  
10 or registered in this state.

11 (3) The tax imposed by subsection (1) of this section and collected under subsection (2)  
12 of this section shall not be collected if the owner provides to the county clerk a  
13 signed affidavit of nonhighway use, on a form provided by the department, attesting  
14 that the vehicle will not be used on the highways of the Commonwealth. If this type  
15 of affidavit is provided, the clerk shall, in accordance with the provisions of KRS  
16 Chapter 139, immediately collect the applicable sales and use tax due on the  
17 vehicle.

18 (4) (a) The tax collected by the county clerk under this section shall be reported and  
19 remitted to the department~~[of Revenue]~~ on forms prescribed and provided by  
20 the department~~[and on those forms as the department may prescribe]~~. The  
21 department shall provide each county clerk affidavit forms which the clerk  
22 shall provide to the public free of charge to carry out the provisions of KRS  
23 138.450 and subsection (3) of this section. The county clerk shall for his  
24 services in collecting the tax be entitled to retain an amount equal to three  
25 percent (3%) of the tax collected and accounted for.

26 (b) The sales and use tax collected by the county clerk under subsection (3) of this  
27 section shall be reported and remitted to the department on forms which the

1 department shall prescribe and provide at no cost. The county clerk shall, for  
 2 his or her services in collecting the tax, be entitled to retain an amount equal  
 3 to three percent (3%) of the tax collected and accounted for.

4 (c) Motor vehicle dealers licensed pursuant to KRS Chapter 190 shall not owe or  
 5 be responsible for the collection of sales and use tax due under subsection (3)  
 6 of this section.

7 (5) A county clerk or other officer shall not title, register or issue any license tags to the  
 8 owner of any motor vehicle subject to the tax imposed by subsection (1) of this  
 9 section or the tax imposed by KRS Chapter 139, when the vehicle is being offered  
 10 for titling or registration for the first time, or transfer the title of any motor vehicle  
 11 previously registered in this state, unless the owner or his agent pays the tax levied  
 12 under subsection (1) of this section or the tax imposed by KRS Chapter 139, if  
 13 applicable, in addition to any title, registration, or license fees.

14 (6) (a) When a person offers a motor vehicle:

15 1. For titling on or after March 20, 2005; or

16 2. For registration;

17 for the first time in this state which was registered in another state that levied  
 18 a tax substantially identical to the tax levied under this section, the person  
 19 shall be entitled to receive a credit against the tax imposed by this section  
 20 equal to the amount of tax paid to the other state. A credit shall not be given  
 21 under this subsection for taxes paid in another state if that state does not grant  
 22 similar credit for substantially identical taxes paid in this state.

23 (b) When a resident of this state offers a motor vehicle for registration for the first  
 24 time in this state:

25 1. Upon which the Kentucky sales and use tax was paid by the resident  
 26 offering the motor vehicle for registration at the time of titling under  
 27 subsection (3) of this section; and

- 1           2. For which the resident provides proof that the tax was paid;  
 2           a nonrefundable credit shall be given against the tax imposed by subsection  
 3           (1) of this section for the sales and use tax paid.
- 4   (7) (a) A county clerk or other officer shall not title, register, or issue any license tags  
 5           to the owner of any motor vehicle subject to this tax, when the vehicle is then  
 6           being offered for titling or registration for the first time, unless the seller or his  
 7           agent delivers to the county clerk a notarized affidavit, if required, and  
 8           available under KRS 138.450 attesting to the total and actual consideration  
 9           paid or to be paid for the motor vehicle.
- 10   (b) If a notarized affidavit is not available, the clerk shall follow the procedures  
 11           under KRS 138.450(12)(b)~~(a)~~ for new vehicles, and KRS  
 12           138.450(14)~~(12)(e), (d),~~ or (15)~~(e)~~ for used vehicles.
- 13   (c) The clerk shall attach the notarized affidavit, if available, or other  
 14           documentation attesting to the retail price of the vehicle as the department~~of~~  
 15           Revenue may prescribe by administrative regulation promulgated under KRS  
 16           Chapter 13A to the copy of the certificate of registration and application for  
 17           title mailed to the department.
- 18   (8) Notwithstanding the provisions of KRS 138.450, the tax shall not be less than six  
 19           dollars (\$6) upon titling or first registration of a motor vehicle in this state, except  
 20           where the vehicle is exempt from tax under KRS 138.470 or 154.45-090.
- 21   (9) Where a motor vehicle is sold by a dealer in this state and the purchaser returns the  
 22           vehicle for any reason to the same dealer within sixty (60) days for a vehicle  
 23           replacement or a refund of the purchase price, the purchaser shall be entitled to a  
 24           refund of the amount of usage tax received by the department~~of Revenue~~ as a  
 25           result of the registration of the returned vehicle. In the case of a new motor vehicle,  
 26           the registration of the returned vehicle shall be canceled and the vehicle shall be  
 27           considered to have not been previously registered in Kentucky when resold by the

1 dealer.

2 (10) When a manufacturer refunds the retail purchase price or replaces a new motor  
3 vehicle for the original purchaser within ninety (90) days because of malfunction or  
4 defect, the purchaser shall be entitled to a refund of the amount of motor vehicle  
5 usage tax received by the department~~[of Revenue]~~ as a result of the first titling or  
6 registration. A person shall not be entitled to a refund unless the person has filed  
7 with the department~~[of Revenue]~~ a report from the manufacturer identifying the  
8 vehicle that was replaced and stating the date of replacement.

9 (11) Notwithstanding the time limitations of subsections (9) and (10) of this section,  
10 when a dealer or manufacturer refunds the retail purchase price or replaces a motor  
11 vehicle for the purchaser as a result of formal arbitration or litigation, or, in the case  
12 of a manufacturer, because ordered to do so by a dispute resolution system  
13 established under KRS 367.865 or 16 C.F.R. 703, the purchaser shall be entitled to  
14 a refund of the amount of motor vehicle usage tax received by the department~~[of~~  
15 ~~Revenue]~~ as a result of the titling or registration. A person shall not be entitled to a  
16 refund unless the person files with the department~~[of Revenue]~~ a report from the  
17 dealer or manufacturer identifying the vehicle that was replaced.

18 Section 5. KRS 138.4605 is amended to read as follows:

19 (1) A motor vehicle dealer who operates a service or repair component in his dealership  
20 may register a motor vehicle to be used exclusively as a loaner or rental motor  
21 vehicle to the customers of this service or repair department. The dealer may pay  
22 usage tax on the loaner or rental motor vehicle as provided in KRS 138.460, or,  
23 subject to the provisions of this section, may pay a usage tax of twenty-five dollars  
24 (\$25) per month on the loaner or rental motor vehicle.

25 (2) A dealer shall pay the usage tax on a loaner or rental motor vehicle in the manner  
26 provided by KRS 138.460 unless the dealer shows to the satisfaction of the  
27 Department of Revenue that he is regularly engaged in the servicing or repair of

1 motor vehicles and loans or rents the loaner or rental motor vehicle to a retail  
 2 customer while the customer's motor vehicle is at the dealership for repair or  
 3 service.

4 (3) For a dealer to be eligible to pay the usage tax on a loaner or rental motor vehicle  
 5 under this section, the dealer shall identify the motor vehicle as a loaner or rental  
 6 motor vehicle to the Department of Revenue and shall maintain records, as required  
 7 by the Department of Revenue, which show all uses of the loaner or rental motor  
 8 vehicle.

9 (4) The tax due under subsection (1) of this section shall be remitted to the Department  
 10 of Revenue monthly on forms prescribed by and in accordance with administrative  
 11 regulations promulgated by the department.

12 (5) Failure of a motor vehicle dealer to remit the taxes applicable to a loaner or rental  
 13 motor vehicle under this section shall be sufficient cause for the Department of  
 14 Revenue to revoke the authority to use that motor vehicle as a loaner or rental motor  
 15 vehicle and cause the usage tax on that motor vehicle to be due and payable in  
 16 accordance with KRS 138.460 on the retail price of that motor vehicle when it was  
 17 first registered as a loaner or rental motor vehicle.

18 (6) A motor vehicle no longer covered under the loaner permit program shall be taxed  
 19 in the same manner as motor vehicles under KRS 138.450(12) or (16).

20 Section 6. KRS 138.464 is amended to read as follows:

21 (1) The county clerk shall report each Monday to the department~~[-of Revenue]~~ all  
 22 moneys collected during the previous week, together with a duplicate of all receipts  
 23 issued by him during the same period.

24 (2) The clerk shall deposit motor vehicle usage tax collections not later than the next  
 25 business day following receipt in a Commonwealth of Kentucky, department~~[-of~~  
 26 ~~Revenue]~~ account in a bank designated as a depository for state funds. The clerk  
 27 may be required to then cause the funds to be transferred from the local depository



1 bank to the State Treasury in whatever manner and at times prescribed by the  
2 commissioner of the department~~[of Revenue]~~ or his designee.

3 (3) Failure to forward duplicates of all receipts issued during the reporting period or  
4 failure to file the weekly report of moneys collected within seven (7) working days  
5 after the report is due shall subject the clerk to a penalty of two and one-half  
6 percent (2.5%) of the amount of moneys collected during the reporting period for  
7 each month or fraction thereof until the documents are filed.

8 (4) Failure to deposit or, if required, transfer collections as required above shall subject  
9 the clerk to a penalty of two and one-half percent (2.5%) of the amount not  
10 deposited or, if required, not transferred for each day until the collections are  
11 deposited or transferred as required above. The penalty for failure to deposit or  
12 transfer money collected shall not be less than fifty dollars (\$50) nor more than five  
13 hundred dollars (\$500) per day.

14 (5) The penalties provided in this section shall not apply if the failure of the clerk is due  
15 to reasonable cause.

16 (6) The department may in its discretion grant a county clerk a reasonable extension of  
17 time to file his report or make any transfer of deposits as required above. The  
18 extension, however, must be requested prior to the end of the seven (7) day period  
19 and shall begin to run at the end of said period.

20 (7) All penalties collected under this provision shall be paid into the State Treasury as a  
21 part of the revenue collected under KRS 138.450 to 138.729.

22 SECTION 7. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO  
23 READ AS FOLLOWS:

24 (1) Notwithstanding KRS 139.340, a commercial printer or mailer engaged in  
25 business in this state shall not be required to collect use tax on sales of printing  
26 or direct mail advertising materials that are both printed out of state and  
27 delivered out of state to the United States Postal Service for mass mailing to third-

party Kentucky residents who are not purchasers of the advertising materials if the commercial printers or mailers:

(a) Maintain records relating to those sales to assist the department in the collection of use tax; and

(b) File reports as provided by KRS 139.730 if requested by the department.

(2) If the commercial printer or mailer complies with the provisions of subsection (1) of this section, the purchaser of the printing or direct mail advertising materials shall have the sole responsibility for reporting and paying the use tax imposed by KRS 139.310.

Section 8. KRS 387.025 is amended to read as follows:

- (1) Any interested person or entity may petition the District Court for the appointment of a guardian or limited guardian for an unmarried minor.
- (2) Any interested person or entity may petition the District Court for appointment of a conservator for a minor who owns real or personal property, or both, requiring management or protection or who has or may have business interests that may be jeopardized or prevented by minority, or who needs a conservator to settle or compromise claims.
- (3) The petition for appointment shall set forth the following:
  - (a) The name and address of the minor;
  - (b) The date of birth of the minor;
  - (c) The name and address of the minor's spouse, if any;
  - (d) The names and addresses of the minor's parents, or if the minor has no living parent, the names and addresses of the minor's adult next of kin;
  - (e) The name and address of the individual or facility having custody of the minor;
  - (f) The facts and reasons supporting the need for a guardianship, limited guardianship, or conservatorship for the minor;

- 1 (g) A description and approximation of the value of the minor's real and personal
- 2 property and other financial resources, including government benefits,
- 3 insurance entitlements, and anticipated yearly income;
- 4 (h) The name and address of the petitioner;
- 5 (i) The name and address of the petitioner's attorney, if any; and
- 6 (j) The name and address of the person or entity desiring appointment as
- 7 guardian, limited guardian, or conservator.

8 (4) The petition shall be accompanied by a verified application of the person or entity  
 9 desiring appointment as guardian, limited guardian, or conservator. The application  
 10 shall set forth the following:

- 11 (a) Name, address, and age of the applicant;
- 12 (b) The applicant's relationship to the minor, if any;
- 13 (c) Whether or not the applicant has ever been convicted of a crime; and
- 14 (d) The applicant's qualifications to serve as guardian, limited guardian, or
- 15 conservator.

16 (5) ~~[A duplicate copy of the petition and application shall be mailed by the clerk to the~~  
 17 ~~commissioner of the Department of Revenue.]~~ The District Court shall appoint a  
 18 time for hearing the petition and application. Notice of the time and place of the  
 19 hearing shall be given not less than five (5) days prior to the hearing to the minor, if  
 20 the minor is more than fourteen (14) years of age, and to each of the persons or  
 21 entities required to be named in the petition. Proof of notice shall be made in  
 22 accordance with the provisions of KRS 395.016. Notice may be waived as provided  
 23 in KRS 395.016.

24 Section 9. KRS 138.224 is amended to read as follows:

25 It shall be presumed that all untaxed motor fuels are subject to the tax levied under KRS  
 26 138.220 unless the contrary is established pursuant to KRS 138.210 to 138.490~~[138.500]~~  
 27 or administrative regulations promulgated thereunder by the department~~[of Revenue]~~.

1 The tax shall be paid by the licensed dealer to the department. The burden of proving that  
 2 any motor fuel is not subject to tax shall be upon the dealer or any person who imports,  
 3 causes to be imported, receives, uses, sells, stores, or possesses untaxed motor fuel in this  
 4 state. Any dealer or other person who imports, causes to be imported, receives, uses, sells,  
 5 stores, or possesses untaxed motor fuels but fails to comply with all statutory and  
 6 regulatory restrictions applicable to the fuel shall be jointly and severally liable for  
 7 payment of the tax due on the fuel. A person's liability shall not be extinguished until the  
 8 tax due has been paid to the department.

9 Section 10. KRS 138.226 is amended to read as follows:

10 (1) The department shall administer the taxes provided under KRS 138.210 to  
 11 138.490~~138.500~~, except KRS 138.463 and 138.4631 and may prescribe, adopt and  
 12 enforce administrative regulations relating to the administration and enforcement  
 13 thereof.

14 (2) The department shall, upon the request of the officials to whom are entrusted the  
 15 enforcement of the motor fuels tax law of any other state, the United States, the  
 16 provinces of the Dominion of Canada, forward to such officials any information  
 17 which it may have relative to the manufacture, receipt, sale, use, transportation,  
 18 shipment or delivery by any person of motor fuels, provided such other state or  
 19 states provide for the furnishing of like information to this state.

20 Section 11. KRS 138.270 is amended to read as follows:

21 (1) (a) From the total number of gallons of gasoline and special fuel received by the  
 22 dealer within this state during the next preceding calendar month, deductions  
 23 shall be made for the total number of gallons received by the dealer within this  
 24 state that were sold or otherwise disposed of during the next preceding  
 25 calendar month as set forth in subsection (2) of KRS 138.240.

26 (b) To cover evaporation, shrinkage, unaccountable losses, collection costs, bad  
 27 debts, and handling and reporting the tax, each dealer shall be allowed

1 compensation equal to two and one-fourth percent (2.25%) of the net tax due  
 2 the Commonwealth pursuant to KRS 138.210 to 138.490~~[138.500]~~ before all  
 3 allowable tax credits, except the credit authorized pursuant to KRS 138.358.  
 4 No compensation shall be allowed if the completed tax return and payment are  
 5 not submitted to the department~~[of Revenue]~~ within the time prescribed by  
 6 KRS 138.210 to 138.490~~[138.500]~~.

7 (2) The tax imposed by KRS 138.220(1) and (2) shall be computed on the number of  
 8 gallons remaining after the deductions set forth in subsection (1) of this section  
 9 have been made, and shall constitute the amount of tax payable for the next  
 10 preceding calendar month.

11 (3) Notwithstanding any other provision of this chapter to the contrary, any person who  
 12 shall remit to the department, by the twenty-fifth day of the next month, an  
 13 estimated tax due amount equal to not less than ninety-five percent (95%) of his tax  
 14 liability, as finally determined for the report month, shall not be required to file the  
 15 monthly reports required by this chapter until the last day of the month following  
 16 the report month, and shall be permitted to claim as a credit against the tax liability  
 17 shown due on the report the estimated tax due amount so paid.

18 Section 12. KRS 138.344 is amended to read as follows:

19 (1) Except as otherwise provided in KRS 138.220 to 138.490~~[138.500]~~, any person  
 20 who shall purchase gasoline or special fuel, on which the tax as imposed by KRS  
 21 138.220 has been paid, for the purpose of operating or propelling stationary engines  
 22 or tractors for agricultural purposes, or who shall purchase special fuels, on which  
 23 the tax as imposed by KRS 138.220 has been paid, for consumption in unlicensed  
 24 vehicles or equipment for nonhighway purposes shall be reimbursed for the tax so  
 25 paid on the gasoline or special fuel. No refund shall be authorized unless  
 26 applications and all necessary information are filed with the department on a  
 27 calendar quarter or calendar year basis on forms and in the manner prescribed by it

1 for refund of the tax paid on the fuel. In lieu of the tax refund procedure, the tax on  
 2 special fuels and the tax on gasoline used for the purpose of operating or propelling  
 3 stationary engines or tractors for agricultural purposes may be credited by the dealer  
 4 to the purchaser as provided in KRS 138.358. The dealer and the purchases shall be  
 5 subject to the same rules, conditions, and responsibilities as provided in KRS  
 6 138.344 to 138.355. The tax shall be refunded with interest at the tax interest rate as  
 7 defined in KRS 131.010(6).

8 (2) The information to be required from the permit holder, by the department, in order  
 9 that the refund may be allowed, shall be as follows:

- 10 (a) Name and address of permit holder .... permit number .....
- 11 (b) Total number of gallons purchased .... and total purchase price ..... (Invoices to  
 12 be attached to refund application.)
- 13 (c) Total number of gallons used on highways .....
- 14 (d) Total number of gallons on which refund is claimed ..... (Line b minus line c.)
- 15 (e) Other information as the department may require to reasonably protect the  
 16 revenues of the Commonwealth.

17 Section 13. KRS 141.010 is amended to read as follows:

18 As used in this chapter, unless the context requires otherwise:

- 19 (1) "Commissioner" means the commissioner of the Department of Revenue;
- 20 (2) "Department" means the Department of Revenue;
- 21 (3) "Internal Revenue Code" means the Internal Revenue Code in effect on December  
 22 31, 2004, exclusive of any amendments made subsequent to that date, other than  
 23 amendments that extend provisions in effect on December 31, 2004, that would  
 24 otherwise terminate, and as modified by KRS 141.0101, except that for property  
 25 placed in service after September 10, 2001, only the depreciation and expense  
 26 deductions allowed under Sections 168 and 179 of the Internal Revenue Code in  
 27 effect on December 31, 2001, exclusive of any amendments made subsequent to

- 1 that date, shall be allowed, and including the provisions of the Military Family Tax  
 2 Relief Act of 2003, Pub. L. No. 108-121, effective on the dates specified in that  
 3 Act;
- 4 (4) "Dependent" means those persons defined as dependents in the Internal Revenue  
 5 Code;
- 6 (5) "Fiduciary" means "fiduciary" as defined in Section 7701(a)(6) of the Internal  
 7 Revenue Code;
- 8 (6) "Fiscal year" means "fiscal year" as defined in Section 7701(a)(24) of the Internal  
 9 Revenue Code;
- 10 (7) "Individual" means a natural person;
- 11 (8) "Modified gross income" means adjusted gross income as defined in Section 62 of  
 12 the Internal Revenue Code of 1986, including any subsequent amendments in effect  
 13 on December 31 of the taxable year, and adjusted as follows:
- 14 (a) Include interest income derived from obligations of sister states and political  
 15 subdivisions thereof; and
- 16 (b) Include lump-sum pension distributions taxed under the special transition  
 17 rules of Pub. L. No. 104-188, sec. 1401(c)(2);
- 18 (9) "Gross income" in the case of taxpayers other than corporations means "gross  
 19 income" as defined in Section 61 of the Internal Revenue Code;
- 20 (10) "Adjusted gross income" in the case of taxpayers other than corporations means  
 21 gross income as defined in subsection (9) of this section minus the deductions  
 22 allowed individuals by Section 62 of the Internal Revenue Code and as modified by  
 23 KRS 141.0101 and adjusted as follows, except that deductions shall be limited to  
 24 amounts allocable to income subject to taxation under the provisions of this chapter,  
 25 and except that nothing in this chapter shall be construed to permit the same item to  
 26 be deducted more than once:
- 27 (a) Exclude income that is exempt from state taxation by the Kentucky

1 Constitution and the Constitution and statutory laws of the United States and  
 2 Kentucky;

3 (b) Exclude income from supplemental annuities provided by the Railroad  
 4 Retirement Act of 1937 as amended and which are subject to federal income  
 5 tax by Public Law 89-699;

6 (c) Include interest income derived from obligations of sister states and political  
 7 subdivisions thereof;

8 (d) Exclude employee pension contributions picked up as provided for in KRS  
 9 6.505, 16.545, 21.360, 61.560, 65.155, 67A.320, 67A.510, 78.610, and  
 10 161.540 upon a ruling by the Internal Revenue Service or the federal courts  
 11 that these contributions shall not be included as gross income until such time  
 12 as the contributions are distributed or made available to the employee;

13 (e) Exclude Social Security and railroad retirement benefits subject to federal  
 14 income tax;

15 (f) Include, for taxable years ending before January 1, 1991, all overpayments of  
 16 federal income tax refunded or credited for taxable years;

17 (g) Deduct, for taxable years ending before January 1, 1991, federal income tax  
 18 paid for taxable years ending before January 1, 1990;

19 (h) Exclude any money received because of a settlement or judgment in a lawsuit  
 20 brought against a manufacturer or distributor of "Agent Orange" for damages  
 21 resulting from exposure to Agent Orange by a member or veteran of the  
 22 Armed Forces of the United States or any dependent of such person who  
 23 served in Vietnam;

24 (i) 1. For taxable years ending prior to December 31, 2005, exclude the  
 25 applicable amount of total distributions from pension plans, annuity  
 26 contracts, profit-sharing plans, retirement plans, or employee savings  
 27 plans.



1 The "applicable amount" shall be:

- 2 a. Twenty-five percent (25%), but not more than six thousand two
- 3 hundred fifty dollars (\$6,250), for taxable years beginning after
- 4 December 31, 1994, and before January 1, 1996;
- 5 b. Fifty percent (50%), but not more than twelve thousand five
- 6 hundred dollars (\$12,500), for taxable years beginning after
- 7 December 31, 1995; and before January 1, 1997;
- 8 c. Seventy-five percent (75%), but not more than eighteen thousand
- 9 seven hundred fifty dollars (\$18,750), for taxable years beginning
- 10 after December 31, 1996, and before January 1, 1998; and
- 11 d. One hundred percent (100%), but not more than thirty-five
- 12 thousand dollars (\$35,000), for taxable years beginning after
- 13 December 31, 1997.

- 14 2. For taxable years beginning after December 31, 2005, exclude up to
- 15 forty-one thousand one hundred ten dollars (\$41,110) of total
- 16 distributions from pension plans, annuity contracts, profit-sharing plans,
- 17 retirement plans, or employee savings plans.

- 18 3. As used in this paragraph:

- 19 a. "Distributions" includes, but is not limited to, any lump-sum
- 20 distribution from pension or profit-sharing plans qualifying for the
- 21 income tax averaging provisions of Section 402 of the Internal
- 22 Revenue Code; any distribution from an individual retirement
- 23 account as defined in Section 408 of the Internal Revenue Code;
- 24 and any disability pension distribution;
- 25 b. "Annuity contract" has the same meaning as set forth in Section
- 26 1035 of the Internal Revenue Code; and
- 27 c. "Pension plans, profit-sharing plans, retirement plans, or employee

savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code;

(j) 1. a. Exclude the portion of the distributive share of a shareholder's net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300; and

b. Exclude the portion of the distributive share of a shareholder's net income from an S corporation related to a qualified subchapter S subsidiary subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

2. The shareholder's basis of stock held in a S corporation where the S corporation or its qualified subchapter S subsidiary is subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300 shall be the same as the basis for federal income tax purposes;

(k) Exclude for taxable years beginning after December 31, 1998, to the extent not already excluded from gross income, any amounts paid for health insurance, or the value of any voucher or similar instrument used to provide health insurance, which constitutes medical care coverage for the taxpayer, the taxpayer's spouse, and dependents during the taxable year. Any amounts paid by the taxpayer for health insurance that are excluded pursuant to this paragraph shall not be allowed as a deduction in computing the taxpayer's net

- 1 income under subsection (11) of this section;
- 2 (l) Exclude income received for services performed as a precinct worker for  
3 election training or for working at election booths in state, county, and local  
4 primary, regular, or special elections;
- 5 (m) Exclude any amount paid during the taxable year for insurance for long-term  
6 care as defined in KRS 304.14-600;
- 7 (n) Exclude any capital gains income attributable to property taken by eminent  
8 domain;
- 9 (o) Exclude any amount received by a producer of tobacco or a tobacco quota  
10 owner from the multistate settlement with the tobacco industry, known as the  
11 Master Settlement Agreement, signed on November 22, 1998;
- 12 (p) Exclude any amount received from the secondary settlement fund, referred to  
13 as "Phase II," established by tobacco companies to compensate tobacco  
14 farmers and quota owners for anticipated financial losses caused by the  
15 national tobacco settlement;
- 16 (q) Exclude any amount received from funds of the Commodity Credit  
17 Corporation for the Tobacco Loss Assistance Program as a result of a  
18 reduction in the quantity of tobacco quota allotted;
- 19 (r) Exclude any amount received as a result of a tobacco quota buydown program  
20 that all quota owners and growers are eligible to participate in; and
- 21 (s) Exclude state Phase II payments received by a producer of tobacco or a  
22 tobacco quota owner;
- 23 (11) "Net income" in the case of taxpayers other than corporations means adjusted gross  
24 income as defined in subsection (10) of this section, minus the standard deduction  
25 allowed by KRS 141.081, or, at the option of the taxpayer, minus the deduction  
26 allowed by KRS 141.0202, minus any amount paid for vouchers or similar  
27 instruments that provide health insurance coverage to employees or their families,

1 and minus all the deductions allowed individuals by Chapter 1 of the Internal  
2 Revenue Code as modified by KRS 141.0101 except those listed below, except that  
3 deductions shall be limited to amounts allocable to income subject to taxation under  
4 the provisions of this chapter and that nothing in this chapter shall be construed to  
5 permit the same item to be deducted more than once:

- 6 (a) Any deduction allowed by the Internal Revenue Code for state or foreign taxes  
7 measured by gross or net income, including state and local general sales taxes  
8 allowed in lieu of state and local income taxes under the provisions of Section  
9 164(b)(5) of the Internal Revenue Code;
- 10 (b) Any deduction allowed by the Internal Revenue Code for amounts allowable  
11 under KRS 140.090(1)(h) in calculating the value of the distributive shares of  
12 the estate of a decedent, unless there is filed with the income return a  
13 statement that such deduction has not been claimed under KRS 140.090(1)(h);
- 14 (c) The deduction for personal exemptions allowed under Section 151 of the  
15 Internal Revenue Code and any other deductions in lieu thereof; and
- 16 (d) Any deduction for amounts paid to any club, organization, or establishment  
17 which has been determined by the courts or an agency established by the  
18 General Assembly and charged with enforcing the civil rights laws of the  
19 Commonwealth, not to afford full and equal membership and full and equal  
20 enjoyment of its goods, services, facilities, privileges, advantages, or  
21 accommodations to any person because of race, color, religion, national  
22 origin, or sex, except nothing shall be construed to deny a deduction for  
23 amounts paid to any religious or denominational club, group, or establishment  
24 or any organization operated solely for charitable or educational purposes  
25 which restricts membership to persons of the same religion or denomination in  
26 order to promote the religious principles for which it is established and  
27 maintained;

- 1 (12) "Gross income," in the case of corporations, means "gross income" as defined in  
 2 Section 61 of the Internal Revenue Code and as modified by KRS 141.0101 and  
 3 adjusted as follows:
- 4 (a) Exclude income that is exempt from state taxation by the Kentucky  
 5 Constitution and the Constitution and statutory laws of the United States;
  - 6 (b) Exclude all dividend income received after December 31, 1969;
  - 7 (c) Include interest income derived from obligations of sister states and political  
 8 subdivisions thereof;
  - 9 (d) Exclude fifty percent (50%) of gross income derived from any disposal of coal  
 10 covered by Section 631(c) of the Internal Revenue Code if the corporation  
 11 does not claim any deduction for percentage depletion, or for expenditures  
 12 attributable to the making and administering of the contract under which such  
 13 disposition occurs or to the preservation of the economic interests retained  
 14 under such contract;
  - 15 (e) Include in the gross income of lessors income tax payments made by lessees  
 16 to lessors, under the provisions of Section 110 of the Internal Revenue Code,  
 17 and exclude such payments from the gross income of lessees;
  - 18 (f) Include the amount calculated under KRS 141.205;
  - 19 (g) Ignore the provisions of Section 281 of the Internal Revenue Code in  
 20 computing gross income;
  - 21 (h) Exclude income from "safe harbor leases" (Section 168(f)(8) of the Internal  
 22 Revenue Code);
  - 23 (i) Exclude any amount received by a producer of tobacco or a tobacco quota  
 24 owner from the multistate settlement with the tobacco industry, known as the  
 25 Master Settlement Agreement, signed on November 22, 1998;
  - 26 (j) Exclude any amount received from the secondary settlement fund, referred to  
 27 as "Phase II," established by tobacco companies to compensate tobacco

- 1 farmers and quota owners for anticipated financial losses caused by the  
 2 national tobacco settlement;
- 3 (k) Exclude any amount received from funds of the Commodity Credit  
 4 Corporation for the Tobacco Loss Assistance Program as a result of a  
 5 reduction in the quantity of tobacco quota allotted;
- 6 (l) Exclude any amount received as a result of a tobacco quota buydown program  
 7 that all quota owners and growers are eligible to participate in;
- 8 (m) Exclude the distributive share income or loss received from a corporation  
 9 subject to the tax imposed by KRS 141.040 ; and
- 10 (n) Exclude state Phase II payments received by a producer of tobacco or a  
 11 tobacco quota owner;
- 12 (13) "Net income," in the case of corporations, means "gross income" as defined in  
 13 subsection (12) of this section minus the deduction allowed by KRS 141.0202,  
 14 minus any amount paid for vouchers or similar instruments that provide health  
 15 insurance coverage to employees or their families, and minus all the deductions  
 16 from gross income allowed corporations by Chapter 1 of the Internal Revenue Code  
 17 and as modified by KRS 141.0101, except the following:
- 18 (a) Any deduction for a state tax which is computed, in whole or in part, by  
 19 reference to gross or net income and which is paid or accrued to any state of  
 20 the United States, the District of Columbia, the Commonwealth of Puerto  
 21 Rico, any territory or possession of the United States, or to any foreign  
 22 country or political subdivision thereof;
- 23 (b) The deductions contained in Sections 243, 244, 245, and 247 of the Internal  
 24 Revenue Code;
- 25 (c) The provisions of Section 281 of the Internal Revenue Code shall be ignored  
 26 in computing net income;
- 27 (d) Any deduction directly or indirectly allocable to income which is either

1 exempt from taxation or otherwise not taxed under the provisions of this  
 2 chapter, and nothing in this chapter shall be construed to permit the same item  
 3 to be deducted more than once;

4 (e) Exclude expenses related to "safe harbor leases" (Section 168(f)(8) of the  
 5 Internal Revenue Code);

6 (f) Any deduction for amounts paid to any club, organization, or establishment  
 7 which has been determined by the courts or an agency established by the  
 8 General Assembly and charged with enforcing the civil rights laws of the  
 9 Commonwealth, not to afford full and equal membership and full and equal  
 10 enjoyment of its goods, services, facilities, privileges, advantages, or  
 11 accommodations to any person because of race, color, religion, national  
 12 origin, or sex, except nothing shall be construed to deny a deduction for  
 13 amounts paid to any religious or denominational club, group, or establishment  
 14 or any organization operated solely for charitable or educational purposes  
 15 which restricts membership to persons of the same religion or denomination in  
 16 order to promote the religious principles for which it is established and  
 17 maintained; and

18 (g) Any deduction prohibited by KRS 141.205;

19 (14) (a) "Taxable net income," in the case of corporations that are taxable in this state,  
 20 means "net income" as defined in subsection (13) of this section;

21 (b) "Taxable net income," in the case of corporations that are taxable in this state  
 22 and taxable in another state, means "net income" as defined in subsection (13)  
 23 of this section and as allocated and apportioned under KRS 141.120. A  
 24 corporation is taxable in another state if, in any state other than Kentucky, the  
 25 corporation is required to file a return for or pay a net income tax, franchise  
 26 tax measured by net income, franchise tax for the privilege of doing business,  
 27 or corporate stock tax;

- 1 (c) "Taxable net income" in the case of homeowners' associations as defined in  
 2 Section 528(c) of the Internal Revenue Code, means "taxable income" as  
 3 defined in Section 528(d) of the Internal Revenue Code. Notwithstanding the  
 4 provisions of subsection (3) of this section, the Internal Revenue Code  
 5 sections referred to in this paragraph shall be those code sections in effect for  
 6 the applicable tax year; and
- 7 (d) "Taxable net income" in the case of a corporation that meets the requirements  
 8 established under Section 856 of the Internal Revenue Code to be a real estate  
 9 investment trust, means "real estate investment trust taxable income" as  
 10 defined in Section 857(b)(2) of the Internal Revenue Code;
- 11 (15) "Person" means "person" as defined in Section 7701(a)(1) of the Internal Revenue  
 12 Code;
- 13 (16) "Taxable year" means the calendar year or fiscal year ending during such calendar  
 14 year, upon the basis of which net income is computed, and in the case of a return  
 15 made for a fractional part of a year under the provisions of this chapter or under  
 16 regulations prescribed by the commissioner, "taxable year" means the period for  
 17 which the return is made;
- 18 (17) "Resident" means an individual domiciled within this state or an individual who is  
 19 not domiciled in this state, but maintains a place of abode in this state and spends in  
 20 the aggregate more than one hundred eighty-three (183) days of the taxable year in  
 21 this state;
- 22 (18) "Nonresident" means any individual not a resident of this state;
- 23 (19) "Employer" means "employer" as defined in Section 3401(d) of the Internal  
 24 Revenue Code;
- 25 (20) "Employee" means "employee" as defined in Section 3401(c) of the Internal  
 26 Revenue Code;
- 27 (21) "Number of withholding exemptions claimed" means the number of withholding



1 exemptions claimed in a withholding exemption certificate in effect under KRS  
 2 141.325, except that if no such certificate is in effect, the number of withholding  
 3 exemptions claimed shall be considered to be zero;

4 (22) "Wages" means "wages" as defined in Section 3401(a) of the Internal Revenue  
 5 Code and includes other income subject to withholding as provided in Section  
 6 3401(f) and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code;

7 (23) "Payroll period" means "payroll period" as defined in Section 3401(b) of the  
 8 Internal Revenue Code;

9 (24) "Corporations" means:

- 10 (a) "Corporations" as defined in Section 7701(a)(3) of the Internal Revenue Code;
- 11 (b) S corporations as defined in Section 1361(a) of the Internal Revenue Code;
- 12 (c) A foreign limited liability company as defined in KRS 275.015(6);
- 13 (d) A limited liability company as defined in KRS 275.015(8);
- 14 (e) A professional limited liability company as defined in KRS 275.015(19);
- 15 (f) A foreign limited partnership as defined in KRS 362.401(4);
- 16 (g) A limited partnership as defined in KRS 362.401(7);
- 17 (h) A registered limited liability partnership as defined in KRS 362.155(7);
- 18 (i) A real estate investment trust as defined in Section 856 of the Internal  
 19 Revenue Code;
- 20 (j) A regulated investment company as defined in Section 851 of the Internal  
 21 Revenue Code;
- 22 (k) A real estate mortgage investment conduit as defined in Section 860D of the  
 23 Internal Revenue Code;
- 24 (l) A financial asset securitization investment trust as defined in Section 860L of  
 25 the Internal Revenue Code; and
- 26 (m) Other similar entities created with limited liability for their partners, members,  
 27 or shareholders.

"Corporation" shall not include any publicly traded partnership as defined by Section 7704(b) of the Internal Revenue Code that is treated as a partnership for federal tax purposes under Section 7704(c) of the Internal Revenue Code or its publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership;

(25) "Doing business in this state" includes but is not limited to:

- (a) Being organized under the laws of this state;
- (b) Having a commercial domicile in this state;
- (c) Owning or leasing property in this state;
- (d) Having one (1) or more individuals performing services in this state;
- (e) Maintaining an interest in a general partnership doing business in this state;
- (f) Deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes;

or

- (g) Directing activities at Kentucky customers for the purpose of selling them goods or services.

Nothing in this subsection shall be interpreted in a manner that goes beyond the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272;

(26) "Cost of goods sold" means the cost of goods sold calculated using the same method specified by the Internal Revenue Service for the purpose of computing federal income tax. In determining cost of goods sold:

1 (a) Labor costs shall be limited to direct labor costs as defined in subsection (28)  
2 of this section; and

3 (b) Bulk delivery costs as defined in subsection (29) of this section may be  
4 included;

5 (27) "Kentucky gross profits" means Kentucky gross receipts reduced by returns and  
6 allowances attributable to Kentucky gross receipts, less the cost of goods sold  
7 attributable to Kentucky gross receipts; -

8 (28) "Direct labor" means labor that is incorporated into the product sold or is an integral  
9 part of the manufacturing process; and

10 (29) "Bulk delivery costs" means the cost of delivering the product to the consumer if the  
11 product is delivered in bulk and requires specialized equipment that generally  
12 precludes commercial shipping and is taxable under KRS 138.220.

13 Section 14. On page 41, line 18 of 2006 of 2006 Regular Session HB 380/EN,  
14 delete "Drama Productions" and insert in lieu thereof "State Park Outdoor Theater".

15 Section 15. On page 58, line 20 of 2006 Regular Session HB 380/EN, delete  
16 "\$2,680,910,200" and insert in lieu thereof "\$2,681,182,900", and delete  
17 "\$2,930,340,800" and insert in lieu thereof "\$2,930,595,600".

18 Section 16. On page 61, line 27 of 2006 Regular Session HB 380/EN, delete  
19 "\$2,302,500" and insert in lieu thereof "\$2,575,200" and delete "\$2,076,400" and insert in  
20 lieu thereof "\$2,331,200".

21 Section 17. On page 62, lines 2 and 3 of 2006 Regular Session HB 380/EN, delete  
22 "in fiscal year during or prior to fiscal year 2003-2004" and insert in lieu thereof "prior to  
23 January 1, 2006".

24 Section 18. On page 161 of 2006 Regular Session HB 380/EN after line 2, insert  
25 the following:

26 **"Parks Development Pool:** Included in the above Parks Development Pool are the  
27 following capital projects in an amount not to exceed the following:

1	Big Bone Lick State Park	2,500,000
2	<del>{Cumberland Falls Resort Park Campground</del>	<del>5,000,000</del>
3	<del>Cumberland Falls Resort Park Golf Course</del>	<del>9,700,000</del>
4	<del>Dale Hollow Resort Park Pool/Villas/Condos/Cabins</del>	<del>7,900,000</del>
5	<del>E. P. "Tom" Sawyer State Park Convention Center</del>	<del>1,000,000</del>
6	<del>Fort Boonesborough State Park Land Acquisition</del>	<del>1,500,000</del>
7	<del>General Burnside State Park Golf and Lodge Infrastructure</del>	<del>7,250,000</del>
8	<del>Grayson Lake State Park Villas/Condos/Cabins/Pavilion</del>	<del>6,000,000</del>
9	<del>Green River Lake State Park Infrastructure/ Development Costs</del>	<del>4,000,000</del>
10	<del>Greenbo Lake Resort Park Cottages</del>	<del>1,000,000</del>
11	<del>Herrington Lake State Park Land Acquisition and Development</del>	<del>2,500,000</del>
12	<del>John James Audubon State Park Campground and Entrance</del>	<del>2,500,000</del>
13	<del>Kincaid Lake State Park Infrastructure</del>	<del>1,200,000</del>
14	<del>Lake Cumberland Resort Park Conference Center</del>	<del>6,000,000</del>
15	<del>Nolin Lake State Park Cottages</del>	<del>1,000,000</del>
16	<del>Yatesville Lake State Park Villas/Condos/Cabins/Pavilion</del>	<del>6,000,000".</del>

17       Section 19. ~~On page 240 of 2006 Regular Session HB 380/EN, delete lines 9~~  
18 ~~through 13 and insert in lieu thereof the following:~~

19       ~~"001. Hancock County Fiscal Court—~~

20       ~~——Community Development~~

21       ~~——Restricted Funds——235,000——0",~~

22       ~~and on line 14, delete "003." and insert in lieu thereof "002." and on line 17, delete~~  
23 ~~"004." and insert in lieu thereof "003.".] (Veto #1)~~

24       Section 20. On page 313, lines 10 and 11 of 2006 Regular Session HB 380/EN,  
25 delete "Amphitheater/Park/Bridge Construction and Other Parks" and insert in lieu  
26 thereof "City of Manchester - Capital Construction for City Parks - Amphitheater/Water  
27 Slides/Other Tourism and Recreational Initiatives".

1       Section 21. On page 313, line 25 of 2006 Regular Session HB 380/EN, after  
2       "Development," insert "Tourism Initiatives,".

3           Section 22. On page 329, line 10 of 2006 Regular Session HB 380/EN, delete  
4   "820,000" and insert in lieu thereof "410,000".

5           Section 23. On page 329 of 2006 Regular Session HB 380/EN, after line 21, insert  
6   the following:

7 "006.Menifee County Fiscal Court -

8 Myers Fork Water Line Extension

9	Bond Funds	410,000	-0-".
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10           Section 24.   On page 336, line 4 of 2006 Regular Session HB 380/EN, delete  
11 "Caveland Environmental Authority" and insert in lieu thereof "Glasgow Water  
12 Company".

13           Section 25. On page 336, line 8 of 2006 Regular Session HB 380/EN, delete  
14 "Caveland Environmental Authority" and insert in lieu thereof "Glasgow Water  
15 Company".

16           Section 26. On page 336, line 16 of 2006 Regular Session HB 380/EN, delete  
17 "Caveland Environmental Authority" and insert in lieu thereof "Glasgow Water  
18 Company".

19           Section 27. On page 350, line 20 of 2006 Regular Session HB 380/EN by deleting  
20    "650,000" and inserting in lieu thereof "550,000".

21           Section 28. On page 350 of 2006 Regular Session HB 380/EN, by deleting all of  
22   line 23 after "003." and all of line 24 and inserting in lieu thereof "City of Leitchfield-  
23   Fountain View Subdivision- Waste Water Project", and on line 25 by deleting "750,000"  
24   and inserting in lieu thereof "650,000".

25       Section 29. On page 351, line 10 of 2006 Regular Session HB 380/EN, by deleting  
26       "137,300" and inserting in lieu thereof "337,300".

27      Section 30. On page 369, line 10 of 2006 Regular Session HB 380/EN, delete

1 "County" and insert in lieu thereof "Valley Waste".

2 Section 31. On page 375, line 10 of 2006 Regular Session HB 380/EN, delete "-  
3 SX21229004- Jim Town".

4 Section 32. On page 382 of 2006 Regular Session HB 380/EN, delete lines 16  
5 through 20 and insert in lieu thereof the following:

6 "001. Murray/Calloway Community Economic

7 Development Project - Site Acquisition

8 Bond Funds 250,000 -0-".

9 Section 33. On page 393 of 2006 Regular Session HB 380/EN, delete line 16 and  
10 insert in lieu thereof the following:

11 "001. Hickman County - Community Development

12 Project Purchase of Trucking Facility

13 Including Office Area, Distribution Center,

14 and Acreage. This building will become a

15 Spec. Building"

16 Section 34. On page 394, line 8 of 2006 Regular Session HB 380/EN, delete  
17 "250,000" and insert "200,000".

18 Section 35. On page 394, line 9 of 2006 Regular Session HB 380/EN, delete "City  
19 of" and insert "Louisville Metro Government -".

20 Section 36. On page 394, line 12 of 2006 Regular Session HB 380/EN, delete  
21 "City of" and insert "Louisville Metro Government -".

22 Section 37. On page 394, line 17 of 2006 Regular Session HB 380/EN, delete  
23 "250,000" and insert in lieu thereof "200,000".

24 Section 38. On page 394, line 22 of 2006 Regular Session HB 380/EN, delete  
25 "250,000" and insert in lieu thereof "200,000".

26 Section 39. On page 394, line 25 of 2006 Regular Session HB 380/EN, delete  
27 "250,000" and insert in lieu thereof "200,000".

1 Section 40. On page 395, line 5 of 2006 Regular Session HB 380/EN, delete "city  
2 of" and insert in lieu thereof "Louisville Metro Government -".

3 Section 41. On page 397 of 2006 Regular Session HB 380/EN, after line 4, by  
4 inserting the following:

5 "029.City of St. Matthews - Infrastructure/Park  
6 Improvements  
7 Bond Funds 200,000 -0-".

8 Section 42. On page 408 line 3 of 2006 Regular Session HB 380/EN, delete  
9 "150,000" and insert in lieu thereof "130,000".

10 Section 43. On page 408 of 2006 Regular Session HB 380/EN after line 11 by  
11 inserting the following:

12 "Spencer County  
13 001. Spencer County Board of Education-  
14 Taylorsville Elementary School  
15 Playground Equipment  
16 General Fund -0- 20,000".

17 Section 44. On page 410, line 23 of 2006 Regular Session HB 380/EN, delete  
18 "Washington County Fiscal Court" and insert in lieu thereof "City of Springfield".

19 Section 45. On page 410, lines 12 and 13 of 2006 Regular Session HB 380/EN,  
20 delete "Warren County Community" and insert in lieu thereof "City of Woodburn".

21 Section 46. On page 454, line 2 of 2006 Regular Session HB 380/EN, after  
22 "receipts" insert "from doing business in this state".

23 Section 47. On page 454, line 4 of 2006 Regular Session HB 380/EN, after  
24 "141.120(8)(c)", insert", and "gross receipts from all sources within and without this  
25 state" means the denominator of the sales factor under the provisions of KRS  
26 141.120(8)(c)".

27 Section 48. On page 623, lines 21 and 22, 2006 Regular Session HB 380/EN

1 delete "product" and insert in lieu thereof "material" and delete "and likely to be offered  
 2 to, or purchased by, consumers of roll-your-own tobacco" and insert in lieu thereof "by  
 3 consumers to wrap or roll tobacco into the form of a cigarette".

4 Section 49. On page 625, line 5 of 2006 Regular Session HB 380/EN, before  
 5 "greater" insert "of" and after "greater" insert "or less".

6 Section 50. On page 625, lines 6 and 7 of 2006 Regular Session HB 380/EN,  
 7 delete "one and twenty-eight one-hundredths cents (\$0.0128)" and insert in lieu thereof  
 8 "seventy-eight ten thousandths of one cent (\$0.0078)".

9 Section 51. On page 625 of 2006 Regular Session HB 380/EN, after line 9 insert  
 10 the following:

11 "(d) The tax shall be paid only once, regardless of the number of times the  
 12 cigarette paper may be sold in this state."

13 Section 52. On page 25, lines 24 and 25 of 2006 Regular Session HB 380/EN,  
 14 delete "Included in the above General Fund appropriation are funds to" and insert in lieu  
 15 thereof "The Auditor of Public Accounts may".

16 Section 53. On page 45 of 2006 Regular Session HB 380/EN, after line 9, insert  
 17 the following:

18 "**(6) Madison County Battlefield Park and Museum:** Included in the above  
 19 General Fund appropriation is \$40,000 in fiscal year 2006-2007 and \$40,000 in fiscal  
 20 year 2007-2008 to support the operations of the Madison County Battlefield Park and  
 21 Museum.".

22 ~~[Section 54. On page 77 of 2006 Regular Session HB 380/EN after line 23 insert~~  
 23 ~~the following:~~

24 ~~"(1) Included in the above General Fund appropriation is \$1,200,000 in fiscal year~~  
 25 ~~2006-2007 which shall be used to replace revenue previously raised through~~  
 26 ~~assessments."~~

27 ~~Section 55. On page 77 line 24 of 2006 Regular Session HB 380/EN delete the~~



1 ~~"(1)" and insert in lieu thereof "(2)", and on line 25, delete "a fee or" and insert in lieu~~  
 2 ~~thereof "any" and after "assessment" insert "or new fee" and on line 26, place a "." after~~  
 3 ~~"tracks" and delete the remainder of the sentence, and on line 27 delete the "(2)" and~~  
 4 ~~insert in lieu thereof "(3)".~~] (Veto #2)

5 Section 56. On page 124, line 21 of 2006 Regular Session HB 380/EN, delete the  
 6 "." and on line 24 delete "institution" and insert in lieu thereof "institutions" and on line  
 7 25, delete "grant" and insert in lieu thereof "grants"~~[and on line 25, delete "these funds"~~  
 8 ~~and insert in lieu thereof "the \$800,000"]~~. (Veto #3)

9 ~~[Section 57. On page 173, lines 18 and 19 of 2006 Regular Session HB 380/EN~~  
 10 ~~delete all language after the word "purchase" and insert in lieu thereof ", build, renovate~~  
 11 ~~or make improvements for residential housing of children who are in or have completed~~  
 12 ~~the treatment program."]~~ (Veto #1)

13 Section 58. On page 197, line 7 of 2006 Regular Session HB 380/EN, delete  
 14 "1,250,000" and insert in lieu thereof "6,500,000".

15 Section 59. On page 207 of 2006 Regular Session HB 380/EN, after line 1, insert  
 16 the following:

17 "281. Lease-Purchase Pollution Controls

18	Restricted Funds	-0-	10,000,000	-0-
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19 282. Construct Gatton Building Complex - Phase I

20	Other Funds	-0-	38,837,000	-0-
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21 283. Lease-Purchase Hospital Dining Facilities & Equipment

22	Restricted Funds	-0-	1,500,000	-0-
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23 284. Lease-Purchase Student Center Bookstore Facility

24	Restricted Funds	-0-	4,000,000	-0-
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25 285. Renovate Blazer Hall Cafeteria

26	Restricted Funds	-0-	4,500,000	-0-
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27 286. Replace & Relocate WUKY PBS Antenna & Transmitter

1	Restricted Funds	-0-	385,956	-0-
2	Federal Funds	-0-	317,084	-0-
3	Other Funds	-0-	160,000	-0-
4	TOTAL	-0-	863,040	-0-.

5 ~~[Section 60. On pages 249 and 250 of 2006 Regular Session HB 380/EN, delete~~  
6 ~~lines 25 through 27 on page 249 and line 1 on page 250.~~

7 ~~Section 61. On page 250 line 14 of 2006 Regular Session HB 380/EN, delete "City~~  
8 ~~of Madisonville" and insert in lieu thereof "Dawson Springs".~~

9 ~~Section 62. On page 277 of 2006 Regular Session HB 380/EN, after line 26, insert~~  
10 ~~the following:~~

11 ~~"018. Mageoffin County Fiscal Court—~~  
12 ~~—— North Mageoffin Fire Department~~  
13 ~~—— Mini pumper truck ————— 94,000 ————— 6,000~~  
14 ~~019. Mageoffin County Fiscal Court~~  
15 ~~—— Improvements Pool and Canopy ..~~  
16 ~~—— Construction ————— 0 ————— 30,600".~~

17 ~~Section 63. On page 292, line 26 of 2006 Regular Session HB 380/EN, delete~~  
18 ~~"Joshua's Dream".~~

19 ~~Section 64. On page 295, line 1 of 2006 Regular Session HB 380/EN, delete~~  
20 ~~"Lower Lost Creek" and insert in lieu thereof "South Perry".~~

21 ~~Section 65. On page 302, line 23 of 2006 Regular Session HB 380/EN, delete~~  
22 ~~"Hazard" and insert in lieu thereof "Big Sandy" and insert "Pikeville Campus" before~~  
23 ~~"Kentucky."~~

24 ~~Section 66. On page 303, line 24 of 2006 Regular Session HB 380/EN, delete~~  
25 ~~"Roekcastle County Fiscal Court Broadhead" and insert in lieu thereof "City of~~  
26 ~~Brodhead Brodhead".~~

27 ~~Section 67. On page 304, line 3 of 2006 Regular Session HB 380/EN, delete~~

1 ~~"Rockcastle County Fiscal Court" and insert in lieu thereof "City of Livingston."~~

2 ~~Section 68. On page 304, line 6 of 2006 Regular Session HB 380/EN, delete~~  
 3 ~~"Rockcastle County Fiscal Court" and insert in lieu thereof "City of Mt. Vernon."]~~ (Veto  
 4 #1)

5 Section 69. On page 313, line 8 of 2006 Regular Session HB 380/EN, delete  
 6 "1,200,000" and insert in lieu thereof "1,000,000" and after line 8, insert the following:

7 "002. Hopkinsville Water Company - Sewer

8 Development for Forest Park

9 Bond Funds 200,000 -0-".

10 Section 70. On page 331, line 25 of 2006 Regular Session HB 380/EN, delete  
 11 "Rockcastle County Fiscal Court" and insert in lieu thereof "City of Mt. Vernon".

12 Section 71. On page 343, line 20 of 2006 Regular Session HB 380/EN, delete  
 13 "800,000" and insert in lieu thereof "500,000", and after line 20, insert the following:

14 "002. Carrollton Utilities - SX21041101 - Ghent

15 WWPT Elimination and Force Main

16 Bonds Funds 300,000 -0-.

17 Section 72. On page 349 line 15 of 2006 Regular Session HB 380/EN, delete  
 18 "WX21083034" and insert in lieu thereof "WX21083040".

19 Section 73. On page 355 line 7 of 2006 Regular Session HB 380/EN, delete "City  
 20 of Wilmore" and insert in lieu thereof "Jessamine-South Elkhorn Water District".

21 Section 74. On page 355 line 15 of 2006 Regular Session HB 380/EN, delete  
 22 "Jessamine County Fiscal Court" and insert in lieu thereof "Jessamine-South Elkhorn  
 23 Water District" and delete "Project" and insert in lieu thereof "Service connection from  
 24 Wilmore to Jessamine County EMS building".

25 Section 75. On page 355 line 17 of 2006 Regular Session HB 380/EN, delete  
 26 "Jessamine County Fiscal Court" and insert in lieu thereof "Jessamine-South Elkhorn  
 27 Water District".

1 Section 76. On page 358, lines 1 and 2 of 2006 Regular Session HB 380/EN,  
 2 delete all of line 1 after "003." and delete all of line 2 and insert in lieu thereof  
 3 "McKinney Water District - Water extension - connect Hustonville at Moreland".

4 Section 77. On page 358, lines 7 and 8 of 2006 Regular Session HB 380/EN,  
 5 delete all of line 7 after "005." and delete all of line 8 and insert in lieu thereof "Eubank  
 6 Water District - Water Extension in Lincoln County".

7 Section 78. On page 358 of 2006 Regular Session HB 380/EN, delete line 18.

8 Section 79. On page 368 line 16 of 2006 Regular Session HB 380/EN, delete  
 9 "150,000" and insert in lieu thereof "360,000".

10 Section 80. On page 368 of 2006 Regular Session HB 380/EN, delete lines 20  
 11 through 22, and on line 23 delete "004." and insert ".003" in lieu thereof.

12 Section 81. On page 375 lines 10 and 13 of 2006 Regular Session HB 380/EN,  
 13 delete "City of Springfield" in both places and in lieu thereof insert "Springfield Water  
 14 and Sewer Commission".

15 Section 82. On page 382, line 9 of 2006 Regular Session HB 380/EN, delete  
 16 "Building" and insert in lieu thereof "lighting and landscaping".

17 Section 83. On page 391, line 4 of 2006 Regular Session HB 380/EN, insert  
 18 "Fancy Farm" before "Sidewalk", and on line 5, delete "and Soccer Park Development."

19 Section 84. On page 391, line 6 of 2006 Regular Session HB 380/EN, delete  
 20 "300,000" and insert in lieu thereof "150,000" and after line 6, insert the following:

21 "005. Graves County Fiscal Court - Fairgrounds

22 Soccer Park Development

23 General Fund 150,000 -0-

24 and on line 7, delete "005." and insert in lieu thereof "006.".

25 Section 85. On page 391, line 25 of 2006 Regular Session HB 380/EN, delete  
 26 "City of".

27 Section 86. On page 401, line 14 of 2006 Regular Session HB 380/EN, delete

1 "City of" and insert in lieu thereof "Mason County Fiscal Court -".

2 Section 87. On page 402, line 1 of 2006 Regular Session HB 380/EN, delete  
3 "Underground Railroad Museum" and insert in lieu thereof "Elijah Green Memorial".

4 Section 88. On page 411, line 25 of 2006 Regular Session HB 380/EN, after  
5 "Cleanup" insert "and Footbridge Design and Construction".

6 ~~[Section 89. On page 412 after line 8 of 2006 Regular Session HB 380/EN, insert~~  
7 ~~"Fiscal Year 2005 2006 Funding", and delete line 9 and insert in lieu thereof the~~  
8 ~~following:~~

9 "General Fund" \_\_\_\_\_ 500,000 \_\_\_\_\_ 0 \_\_\_\_\_ 0  
10 ".](Veto #4)

11 Section 90. On page 412 of 2006 Regular Session HB 380/EN, delete line 12 and  
12 insert in lieu thereof "Expenses Associated with the 225th Anniversary Celebration of  
13 Jack Jouett's Historic Ride, Land Acquisition, Renovation, Design, Construction and  
14 Operating Expenses".

15 Section 91. The \$25,000,000 Budget Reserve Trust Fund amount on page 422, line  
16 13 of 2006 Regular Session HB 380/EN shall be adjusted~~[ by the Legislative Research~~  
17 ~~Commission]~~ (Veto #5) to take into account legislation enacted subsequent to the passage  
18 of 2006 Regular Session HB 380/EN.

19 Section 92. On page 555 of 2006 Regular Session HB 380/EN, after line 22, insert  
20 the following:

21 b. An amount up to \$800,000 shall be allowed as a necessary government  
22 expense for use allowance, operating allowance, or furnishings if the Pendleton County  
23 Courthouse is completed during the biennium.

24 Section 93. The Reviser of Statutes shall have the authority to make appropriate  
25 changes or addenda to the Conference Budget Report for 2006 Regular Session House  
26 Bill 380/FCCR, which is made a part of 2006 Regular Session House Joint Resolution 93  
27 by Section 5 of that Act, to reflect any funds transfers, alterations, or amendments to the

1 provisions of 2006 Regular Session House Bill 380 in this Act.

2 Section 94. The following KRS section is repealed:

3 138.500 Payment of excise tax under protest -- Actions to recover tax paid - Refund.

4 Section 95. Whereas Sections 14 to 93 of this Act amend 2006 Regular Session  
5 HB 380/EN, which takes effect upon passage and approval by the Governor or upon  
6 otherwise becoming law, an emergency is declared to exist, and Sections 14 to 93 of this  
7 Act take effect upon passage and approval by the Governor or upon otherwise becoming  
8 law.



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# Legislative Branch

• House Bill 381

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	Legislative Branch				
	Revised FY 2006	Requested FY 2007	Requested FY 2008	Enacted FY 2007	Enacted FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	41,370,500	46,788,800	50,182,200	46,788,800	50,182,200
Continuing Appropriation	11,869,100	6,828,400	5,299,600	6,828,400	5,299,600
<b>Total General Fund</b>	53,239,600	53,617,200	55,481,800	53,617,200	55,481,800
<b>Restricted Funds</b>					
Balance Forward	1,157,400			892,800	892,800
Current Receipts		69,600	191,000	69,600	191,000
<b>Total Restricted Funds</b>	1,157,400	69,600	191,000	962,400	1,083,800
<b>TOTAL SOURCE OF FUNDS</b>	54,397,000	53,686,800	55,672,800	54,579,600	56,565,600
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	36,385,300	37,711,000	41,268,100	37,711,000	41,268,100
Operating Expenses	9,667,800	8,174,200	8,765,300	8,556,200	8,292,200
Capital Outlay	622,700	2,120,000	290,000	2,120,000	812,900
<b>TOTAL EXPENDITURES</b>	46,675,800	48,005,200	50,323,400	48,387,200	50,373,200
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	46,411,200	47,935,600	50,132,400	48,317,600	50,182,200
Restricted Funds	264,600	69,600	191,000	69,600	191,000
<b>TOTAL EXPENDITURES</b>	46,675,800	48,005,200	50,323,400	48,387,200	50,373,200

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# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2006 REGULAR SESSION

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HOUSE BILL NO. 381

---

TUESDAY, MARCH 7, 2006

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The following bill was reported to the Senate from the House and ordered to be printed.

RECEIVED AND FILED  
DATE April 22, 2006  
7:26 pm

TREY GRAYSON  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY Hankie Addison

AN ACT making appropriations for the operations, maintenance, and support of the Legislative Branch of the Commonwealth of Kentucky.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

**PART I**

**OPERATING BUDGET**

**Funds Appropriations:** Funds are appropriated to the Legislative Research Commission for the Legislative Branch of Government out of the General Fund and Restricted Funds accounts for the fiscal year beginning July 1, 2006, and ending June 30, 2007, and for the fiscal year beginning July 1, 2007, and ending June 30, 2008, in the following discrete sums, or so much thereof as may be necessary. Each appropriation is made by the source of respective fund or funds accounts to be used for the purposes of the Legislative Branch of government of the Commonwealth of Kentucky.

	2006-07	2007-08
<b>1. General Assembly</b>		
General Fund	15,033,200	16,986,000
Restricted Funds	69,600	191,000
Total	15,102,800	17,177,000

**Legislators Retirement and Compensation:** The above General Fund appropriation to the General Assembly includes funds for the Legislators Retirement Plan in each fiscal year and provides for the continuation of the annual cost-of-living adjustment authorized for the 2004-2006 biennium. Notwithstanding KRS 6.190 and 6.213, the daily compensation provided by KRS 6.190 and the interim expense allowance provided by KRS 6.213 for members of the General Assembly shall be as authorized for the 2004-2006 biennium and shall continue as adjusted on January 1, 2007, and January 1, 2008, by the all urban consumer price index (CPI-U) not to exceed the cost-of-living adjustment provided state employees in the state/executive branch budget but not less than zero percent per annum.

1		2006-07	2007-08
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2	<b>2. Legislative Research Commission</b>		
---	---	--	--

3	General Fund	31,755,600	33,196,200
---	--------------	------------	------------

4	Restricted Funds	-0-	-0-
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5	TOTAL	31,755,600	33,196,200
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6       **Permanent Full-time Employees:** The total number of permanent full-time  
7 employees hired by the Legislative Research Commission with the above appropriation,  
8 and not assigned specifically to the House and Senate members of the Legislative  
9 Research Commission, shall not exceed 232 in fiscal year 2006-2007 and 232 in fiscal  
10 year 2007-2008. In addition to this number, the total number of permanent full-time  
11 employees assigned specifically to the House members of the Legislative Research  
12 Commission shall not exceed 19 and the permanent full-time employees assigned  
13 specifically to the Senate members of the Legislative Research Commission shall not  
14 exceed 10.

15	<b>TOTAL - OPERATING BUDGET</b>		
----	---------------------------------	--	--

16		2006-07	2007-08
----	--	---------	---------

17	General Fund	46,788,800	50,182,200
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18	Restricted Funds	69,600	191,000
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19	TOTAL	46,858,400	50,373,200
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20       **Unexpended Balance:** Notwithstanding KRS 45.229, any unexpended balance  
21 remaining at the close of fiscal year 2005-2006 shall not lapse but shall continue into  
22 fiscal year 2006-2007, and any unexpended balance in any succeeding fiscal year shall  
23 not lapse but shall continue into the following fiscal year.

24	<b>TOTAL - LEGISLATIVE BRANCH BUDGET</b>		
----	--	--	--

25		2006-07	2007-08
----	--	---------	---------

26	General Fund	46,788,800	50,182,200
----	--------------	------------	------------

27	Restricted Funds	69,600	191,000
----	------------------	--------	---------

1	TOTAL	46,858,400	50,373,200
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## PART II

## GENERAL PROVISIONS

4           **1. Expenditure Authority:** The Director of the Legislative Research  
5 Commission, under the supervision of the Legislative Research Commission, may expend  
6 any of the funds appropriated for legislative operation and administration in any lawful  
7 manner and for any legal purpose consistent with the policies and practices of the  
8 Commission. No executive agency or statute governing the executive agencies of state  
9 government shall have the power to restrict or limit the actions of, or the expenditure of  
10 funds appropriated to, the Legislative Research Commission for the Legislative Branch of  
11 government.

12           **2. Capitol Annex Capital Construction Expenditures:** Any expenditure  
13 authorized by the Director of the Legislative Research Commission, under the  
14 supervision of the Legislative Research Commission, relating to implementation of KRS  
15 56.463(4)(b) and funded by previous or current appropriations to the Legislative Research  
16 Commission for the Legislative Branch of government shall not be governed by KRS  
17 7A.010, 7A.120, 45.750 to 45.810, 48.010(14), and 48.020.

18           **3. Severability of Budget Provisions:** Appropriation items and sums in this Act  
19 conform to KRS 48.311. If any section, any subsection, or any provision thereof shall be  
20 invalid or unconstitutional, the decision of the courts shall not affect or impair any of the  
21 remaining sections, subsections, or provisions.

22           **4. Duplicate Appropriation:** Any appropriation item and sum in this Act and in  
23 an appropriation provision in another Act of the 2006 Regular Session of the General  
24 Assembly which constitutes a duplicate appropriation shall be governed by KRS 48.312.

25           **5. Priority of Individual Appropriations:** KRS 48.313 shall control when a  
26   total, subtotal, or subtotal figure in this Act conflicts with the sum of the appropriations of  
27   which it consists.

1           **6. Appropriations Revisions:** Proposed revisions to Restricted Funds  
2   appropriations in this Act shall be made and reported pursuant to KRS 48.630(10). The  
3   Director of the Legislative Research Commission may transfer any available funds  
4   between the General Assembly and Legislative Research Commission as needed to meet  
5   the constitutional requirements of the Legislative Branch for fiscal years 2005-2006,  
6   2006-2007, and 2007-2008.

7           **7. Allowance in Lieu of Stationery:** Notwithstanding KRS 6.220, in lieu of  
8 stationery, there shall be allowed to each member of the House of Representatives the  
9 sum of \$250 and to each member of the Senate the sum of \$500. This allowance shall be  
10 paid out of the State Treasury at the beginning of each legislative session.

## PART III

### BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN

13       The Legislative Branch shall participate in any Budget Reduction Plan or Surplus  
14   Expenditure Plan in accordance with the provisions of KRS Chapter 48.

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# Judicial Branch

• House Bill 382

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# Judicial Branch

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Enacted FY 2007	Enacted FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	227,210,500	278,727,100	300,047,400	244,588,600	279,376,500
Special Appropriation	565,000	565,000	565,000		
Continuing Appropriation	8,539,500	6,411,600	4,351,600	6,411,600	4,351,600
Salary Compensation Fund	4,838,400	4,838,400	4,838,400		
<b>Total General Fund</b>	241,153,400	290,542,100	309,802,400	251,000,200	283,728,100
<b>Restricted Funds</b>					
Balance Forward	17,414,500	13,678,800	6,979,900	13,678,800	6,979,900
Current Receipts	11,797,700	11,852,100	11,875,600	14,152,100	14,175,600
Non-Revenue Receipts	2,929,600	929,600	929,600	929,600	929,600
<b>Total Restricted Funds</b>	32,141,800	26,460,500	19,785,100	28,760,500	22,085,100
<b>Federal Funds</b>					
Balance Forward	61,800				
Current Receipts	2,974,900	1,769,900	1,431,500	1,769,900	1,431,500
<b>Total Federal Funds</b>	3,036,700	1,769,900	1,431,500	1,769,900	1,431,500
<b>TOTAL SOURCE OF FUNDS</b>	276,331,900	318,772,500	331,019,000	281,530,600	307,244,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	170,446,000	196,662,100	211,219,800	170,682,700	186,432,300
Operating Expenses	84,433,700	105,595,000	118,476,000	95,292,100	113,389,600
Capital Outlay	1,361,800	5,183,900	879,300	1,724,300	4,478,900
<b>TOTAL EXPENDITURES</b>	256,241,500	307,441,000	330,575,100	267,699,100	304,300,800
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	234,741,800	286,190,500	309,358,500	244,148,600	280,784,200
Restricted Funds	18,463,000	19,480,600	19,785,100	21,780,600	22,085,100
Federal Funds	3,036,700	1,769,900	1,431,500	1,769,900	1,431,500
<b>TOTAL EXPENDITURES</b>	256,241,500	307,441,000	330,575,100	267,699,100	304,300,800

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COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

ERNIE FLETCHER  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

RECEIVED AND FILED  
DATE April 24, 2006  
9:17pm

TREY GRAYSON  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY R. Adkins

**VETO MESSAGE FROM THE**  
**GOVERNOR OF THE COMMONWEALTH OF KENTUCKY**

**House Bill 382 of the 2006 Regular Session – Partial Veto #1**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 4, line 4, after the word “to” delete “14”.

*A veto of this part is necessary as the facilities department of the Administrative Office of the Courts should be free to implement the design and alteration of the Fayette County Courthouses as it determines to be in the best interest of the public.*

**House Bill 382 of the 2006 Regular Session – Partial Veto #2**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 6, lines 9 through 13, in their entirety.

*A veto of this part is necessary as it is inconsistent with Part III, Section 1, of House Bill 382.*

**House Bill 382 of the 2006 Regular Session – Partial Veto #3**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 7, line 20, after the word “Judge” delete “, elected after January 1, 2007,”.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

*A veto of this part is necessary to ensure that judges on the election ballot in November of 2006 cannot retire early and return to work at the commencement of the new term in January 2007, and receive both retirement benefits and salaried compensation.*

**House Bill 382 of the 2006 Regular Session – Partial Veto #4**

*I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following parts:*

Page 8, line 9, after “KS 23A.040”, delete “, effective July 15, 2006,”.

Page 9, line 13, after “KS 23A.045”, delete “, effective July 15, 2006,”.

Page 9, line 26, after “KS 23A.050”, delete “, effective July 15,”.

Page 11, line 20, after “2007”, delete “, and an election to fill each new judgeship shall be placed on”.

Page 11, lines 21 through 25 in their entirety.

Page 11, line 26, delete “file a valid petition for nomination shall be placed on the ballot”.

*A veto of these parts is necessary as they are inconsistent with the language regarding the effective dates of the new judgeships created by House Bill 382. Furthermore, the language of Part V, section 6, is at odds with the requirements of the Kentucky Constitution.*

*Done this 24<sup>th</sup> day of April, 2006.*

  
Ernie Fletcher, Governor



# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2006 REGULAR SESSION

---

HOUSE BILL NO. 382

AS ENACTED AND VETOED IN PART

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WEDNESDAY, APRIL 12, 2006 - AS ENACTED

MONDAY, APRIL 24, 2006 - VETOED IN PART

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Informational Copy

RECEIVED AND FILED  
DATE April 28, 2006  
9:43 a.m.  
\_\_\_\_\_  
TREY GRAYSON  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY Janet Addison

AN ACT making appropriations for the operations, maintenance, support, and functioning of the Judicial Branch of the government of the Commonwealth of Kentucky and its various officers, boards, commissions, subdivisions, and other state-supported activities.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

**PART I**

**OPERATING BUDGET**

**(1) Funds Appropriations:** There is appropriated out of the General Fund, Restricted Funds accounts, and Federal Funds accounts for the fiscal year beginning July 1, 2006, and ending June 30, 2007, and for the fiscal year beginning July 1, 2007, and ending June 30, 2008, the following sums to be used for the purposes of the Judicial Branch of the government of the Commonwealth of Kentucky, including the Supreme Court, Court of Appeals, Circuit Court, Family Court, District Court, the Administrative Office of the Courts, Judicial Retirement, Local Facilities Fund, Local Facilities Use Allowance Contingency Fund, and for services performed by the circuit clerks' offices, including both Circuit and District Court support.

**1. Court of Justice**

**a. Court operations and administration**

	<b>2006-07</b>	<b>2007-08</b>
General Fund	180,542,400	193,575,400
Restricted Funds	21,780,600	22,085,100
Federal Funds	1,769,900	1,431,500
<b>TOTAL</b>	<b>204,092,900</b>	<b>217,092,000</b>

**(1) Salary Adjustments:** Funds are included to provide a salary adjustment in fiscal years 2006-2007 and 2007-2008 for non elected court personnel. Included are funds to provide for a salary adjustment in fiscal years 2006-2007 and 2007-2008 for the justices and judges. Also included are funds for the salaries of the circuit clerks in fiscal



1 years 2006-2007 and 2007-2008.

2 Notwithstanding KS 18A.355(1), in fiscal year 2006-2007 and in fiscal year 2007-  
3 2008 a salary adjustment amounting to an annualized value on the base salary or wages of  
4 each eligible full-time and part-time employee on their anniversary date is provided. The  
5 amount of the salary adjustment is determined by each eligible employee's annual base  
6 salary or wages on their anniversary date, and the following table reflects the annualized  
7 values of the salary adjustment for fiscal year 2006-2007 and fiscal year 2007-2008.

8	<b>Annual Base Salary or Wages</b>	<b>2006-07</b>	<b>2007-08</b>
9	\$0 to \$30,000.00	\$1,350	\$1,350
10	\$30,000.01 to \$50,000.00	\$1,200	\$1,200
11	\$50,000.01 to \$60,000.00	\$1,000	\$1,000
12	\$60,000.01 to \$80,000.00	\$600	\$600
13	\$80,000.01 and above	\$400	\$400

14 Commencing with an eligible employee's anniversary date, the salary adjustment  
15 shall be added to the eligible employee's base salary or wages and shall be disbursed by  
16 payroll period in a one-twenty-fourth installment for the duration of the employment. The  
17 Chief Justice of the Supreme Court shall determine the pro rata amount of the salary  
18 adjustment to be provided to part-time employees. The salary adjustment shall be a part  
19 of the salary or wage base of the employee.

20 **(2) Circuit Court Judgeships:** Included in the above General Fund appropriation  
21 is funding in fiscal year 2006-2007 and fiscal year 2007-2008 to support eight Circuit  
22 Court judgeships authorized by the 2005 General Assembly and additional Circuit Court  
23 judgeships in the Fourth Judicial Circuit, the Ninth Judicial Circuit, the Fourteenth  
24 Judicial Circuit, the Thirty-ninth Judicial Circuit, the Forty-ninth Judicial Circuit, the  
25 Fifty-fourth Judicial Circuit, and the Fifty-seventh Judicial Circuit.

26 **(3) District Court Judgeships:** Included in the above General Fund  
27 appropriation is funding in fiscal year 2006-2007 and fiscal year 2007-2008 for additional

1 District Court judgeships in the Eighth Judicial District and the Twenty-fifth Judicial  
2 District.

3 **(4) Drug Court Sites:** Included in the above General Fund appropriation is  
4 \$1,300,000 in fiscal year 2006-2007 and \$1,725,000 in fiscal year 2007-2008 to replace  
5 Federal Funds for existing Drug Court sites whose funding expires during the 2006-2008  
6 fiscal biennium. The above General Fund appropriation includes \$980,000 in fiscal year  
7 2007-2008 to expand eight existing Drug Court sites. Also included in the above General  
8 Fund appropriation is \$4,770,000 in fiscal year 2007-2008 for 20 new Drug Court sites.

9 **(5) Deputy Clerk Salary Improvement:** Included in the above General Fund  
10 appropriation is \$1,213,900 in fiscal year 2006-2007 and \$1,274,500 in fiscal year 2007-  
11 2008 to support a deputy clerk salary enhancement initiative in the circuit clerks' offices.  
12 These amounts include an increase in the minimum entry level and a minimum across-  
13 the-board increase for those deputy clerks whose salaries are less than \$40,000.

14 **(6) Maximum Salary of Trial Commissioners:** Notwithstanding KS  
15 24A.100(3), funds are included in the above General Fund appropriation to continue the  
16 statutory maximum salary of trial commissioners as provided for in the Judicial Branch  
17 Budget Recommendation.

18 **b. Local Facilities Fund**

19		<b>2006-07</b>	<b>2007-08</b>
20	General Fund	60,798,700	82,545,900

21 **(1) Local Court Facility Compensation:** Included in the above appropriation is  
22 money to compensate local units of government for providing court space and for costs  
23 incurred in the development of local court facilities as defined in KS Chapter 26A and  
24 provided in Part II of this Act, and to perform all other acts required or authorized by KS  
25 Chapter 26A.

26 **(2) Funds Carry Forward:** Notwithstanding KS 45.229, any unexpended  
27 balance remaining at the close of fiscal year 2005-2006 shall not lapse and shall continue

into fiscal year 2006-2007, and any unexpended balance remaining at the close of fiscal year 2006-2007 shall not lapse and shall be continued into fiscal year 2007-2008.

**(3) Fayette County Courthouses:** Included in the above General Fund appropriation is \$300,000 in fiscal year 2006-2007 for improvements to~~[-14]~~ *(Veto #1)* client interview areas in the Fayette County Courthouses.

**(4) Fayette County Courthouses Use Allowance:** The use allowance for the Fayette County Courthouses is contingent upon Short Street in Lexington, Kentucky, remaining open to traffic.

**c. Local Facilities Use Allowance Contingency Fund**

	<b>2006-07</b>	<b>2007-08</b>
General Fund	-0-	-0-

**(1) Funds Carry Forward:** Notwithstanding KS 45.229, any unexpended balance remaining at the close of fiscal year 2005-2006 shall not lapse and shall continue into fiscal year 2006-2007, and any unexpended balance remaining at the close of fiscal year 2006-2007 shall not lapse and shall be continued into fiscal year 2007-2008 to provide for cost overruns in authorized court facilities projects not to exceed 15 percent of the use allowance in accordance with KS Chapter 26A.

**TOTAL - COURT OF JUSTICE**

	<b>2006-07</b>	<b>2007-08</b>
General Fund	241,341,100	276,121,300
Restricted Funds	21,780,600	22,085,100
Federal Funds	1,769,900	1,431,500
<b>TOTAL</b>	<b>264,891,600</b>	<b>299,637,900</b>

**2. Judicial Retirement System**

	<b>2006-07</b>	<b>2007-08</b>
General Fund	3,247,500	3,255,200

**(1) Judicial Retirement Benefits:** General Fund amounts are included to provide

1 actuarial assessed judicial retirement benefits, pursuant to KS 21.345 to 21.580.

2 **TOTAL - OPERATING BUDGET**

3		<b>2006-07</b>	<b>2007-08</b>
4	General Fund	244,588,600	279,376,500
5	Restricted Funds	21,780,600	22,085,100
6	Federal Funds	1,769,900	1,431,500
7	<b>TOTAL</b>	<b>268,139,100</b>	<b>302,893,100</b>

8 **PART II**

9 **CAPITAL PROJECTS BUDGET**

10 **1. Lease Authorizations**

- 11 a. Franklin County - Lease - Office Space
- 12 b. Franklin County - Lease - Court of Appeals
- 13 c. Jefferson County - Courts Parking Lease

14 **2. Local Facilities Projects - Authorized:** Nothing in this Act shall reduce the

15 funding of court facility projects authorized by the General Assembly.

16 **3. Local Facilities Use Allowance Contingency Fund:** For any court facility project

17 which is occupied and use allowance funding is insufficient, the use allowance

18 payments shall be approved from the Local Facilities Use Allowance Contingency

19 Fund. If funds are not available in the Local Facilities Use Allowance Contingency

20 Fund, the use allowance payments shall be deemed a necessary governmental

21 expense (General Fund Surplus Account, KS 48.700).

22 **TOTAL - JUDICIAL BRANCH BUDGET**

23		<b>2006-07</b>	<b>2007-08</b>
24	General Fund	244,588,600	279,376,500
25	Restricted Funds	21,780,600	22,085,100
26	Federal Funds	1,769,900	1,431,500
27	<b>TOTAL</b>	<b>268,139,100</b>	<b>302,893,100</b>

1 **PART III**

2 **GENERAL PROVISIONS**

3 **1. Expenditure Authority:** The Director of the Administrative Office of the  
4 Courts, with the approval of the Chief Justice, may expend any of the funds appropriated  
5 for the court operation and administration in any lawful manner and for any legal purpose  
6 that the Chief Justice shall authorize or direct. No executive agency of state government  
7 shall have the power to restrict or limit the expenditure of funds appropriated to the  
8 Judicial Branch of government.

9 ~~**[2. Permissible Obligations Against General Fund Appropriations:** The Court~~  
10 ~~of Justice shall not incur any obligation for any program against the General Fund~~  
11 ~~appropriations contained in this Act unless that program may be reasonably determined to~~  
12 ~~have been contemplated by the proposed judicial budget, as modified and enacted, and~~  
13 ~~supported by the statutory budget memorandum and other pertinent records.] (Veto #2)~~

14 **3. Severability of Budget Provisions:** Appropriation items and sums in this Act  
15 conform to KS 48.311. If any section, any subsection, or any provisions thereof shall be  
16 invalid or unconstitutional, the decision of the courts shall not affect or impair any of the  
17 remaining sections, subsections, or provisions.

18 **4. Duplicate Appropriations:** Any appropriation item and sum in this Act and  
19 in an appropriation provision in another Act of the 2006 General Assembly which  
20 constitutes a duplicate appropriation shall be governed by KS 48.312.

21 **5. Priority of Individual Appropriations:** KS 48.313 shall control when a total  
22 or subtotal figure in this Act conflicts with the sum of the appropriations of which it  
23 consists.

24 **6. Carry Forward of Restricted and Federal Funds:** Notwithstanding KS  
25 45.229, any unexpended balance remaining in the Court's Restricted Funds accounts or  
26 Federal Funds accounts at the close of the fiscal years ending June 30, 2006, and June 30,  
27 2007, shall not lapse and shall continue into the next fiscal year.

1       **7. Final Budget Document:** The Chief Justice shall cause the Director of the  
 2       Administrative Office of the Courts to prepare a final budget document reflecting the  
 3       2006-2008 biennial budget of the Court of Justice. A copy shall be provided to the  
 4       Legislative Research Commission and an informational copy shall be furnished to the  
 5       Finance and Administration Cabinet within 60 days of the adjournment of the 2006  
 6       Regular Session of the General Assembly.

7       **8. Transferability of Funds:** The Chief Justice of the Commonwealth of  
 8       Kentucky shall have the ability to transfer funds to other programs and budget units  
 9       within the Judicial Branch. Any funds transferred to other budget units within the Judicial  
 10      Branch may be used to support any activity, program, or operation of the budget unit or  
 11      program receiving the respective funds.

12      **9. Appropriations Revisions:** Proposed revisions to Restricted Funds and  
 13      Federal Funds appropriations in this Act shall be made and reported pursuant to KS  
 14      48.630(10). The Director of the Administrative Office of the Courts shall notify on a  
 15      timely basis the Legislative Research Commission of the most current estimates of  
 16      anticipated receipts for the affected fiscal year and an accompanying statement which  
 17      explains such variations from the anticipated amount.

18      **10. Judicial Retirement:** To achieve consistency with the Kentucky Court of  
 19      Justice Personnel Policy Section 6.03(2), with respect to non elected employees, the  
 20      compensation payable to any Justice or Judge~~[, elected after January 1, 2007],~~ (Veto #3)  
 21      receiving retirement benefits from the Judicial Retirement Plan on account of prior  
 22      judicial service shall be fixed at an amount whereby his or her total salary and retirement  
 23      benefits shall not exceed the salary fixed for the judicial office held.

24      **11. General Fund Expenditure Reductions through Efficiencies:** The Chief  
 25      Justice shall reduce General Fund expenditures appropriated in this Act by \$2,500,000 in  
 26      fiscal year 2006-2007 and by \$2,500,000 in fiscal year 2007-2008 by reducing waste,  
 27      fraud, and abuse, and by creating additional savings through increased efficiencies.

1 **PART IV**

2 **BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN**

3 The Judicial Branch shall participate in any Budget Reduction Plan or Surplus  
4 Expenditure Plan in accordance with the provisions of KS Chapter 48.

5 **PART V**

6 **JUDICIAL DISTRICTS AND CIRCUITS**

7 Notwithstanding KRS 48.310, the following statutes are amended to read as follows  
8 and shall have permanent effect, subject to future actions by the General Assembly:

9 Section 1. KRS 23A.040~~[, effective July 15, 2006,]~~ (*Veto #4*) is amended to read  
10 as follows:

11 The following judicial circuits are entitled to two (2) judges and shall have two (2)  
12 numbered divisions of the Circuit Court:

13 (1) **Fourth Judicial Circuit.**

14 ~~(2)~~ Fifth Judicial Circuit.

15 ~~(3) [(2)]~~ Sixth Judicial Circuit.

16 ~~(4) [(3)]~~ Tenth Judicial Circuit.

17 ~~(5) [(4)]~~ Eleventh Judicial Circuit.

18 ~~(6) [(5)]~~ Twelfth Judicial Circuit.

19 ~~(7) [(6)]~~ Thirteenth Judicial Circuit.

20 ~~[(7) Fourteenth Judicial Circuit.]~~

21 (8) Eighteenth Judicial Circuit.

22 (9) Twentieth Judicial Circuit.

23 (10) Twenty-first Judicial Circuit.

24 (11) Twenty-fourth Judicial Circuit.

25 (12) Thirty-second Judicial Circuit.

26 (13) Thirty-fourth Judicial Circuit.

27 (14) Thirty-seventh Judicial Circuit.

1 (15) Thirty-eighth Judicial Circuit.

2 (16) **Thirty-ninth Judicial Circuit.**

3 **(17)** Forty-first Judicial Circuit.

4 **(18)**~~[(17)]~~ Forty-second Judicial Circuit.

5 **(19)**~~[(18)]~~ Forty-third Judicial Circuit.

6 **(20)**~~[(19)]~~ Forty-sixth Judicial Circuit.

7 **(21) Forty-ninth Judicial Circuit.**

8 **(22)**~~[(20)]~~ Fiftieth Judicial Circuit.

9 **(23)**~~[(21)]~~ Fifty-first Judicial Circuit.

10 **(24)**~~[(22)]~~ Fifty-third Judicial Circuit.

11 ~~[(23) Fifty-fourth Judicial Circuit.]~~

12 **(25)**~~[(24)]~~ Fifty-fifth Judicial Circuit.

13 **(26) Fifty-seventh Judicial Circuit.**

14 Section 2. KRS 23A.045~~[-, effective July 15, 2006,]~~ (*Veto #4*) is amended to read  
15 as follows:

16 The following judicial circuits are entitled to three (3) Circuit Judges and shall have three  
17 (3) numbered divisions of the Circuit Court:

18 (1) Second Judicial Circuit.

19 (2) Third Judicial Circuit.

20 (3) **Fourteenth**~~[Ninth]~~ Judicial Circuit.

21 (4) Seventeenth Judicial Circuit.

22 (5) Twenty-seventh Judicial Circuit.

23 (6) Twenty-eighth Judicial Circuit.

24 (7) Thirty-first Judicial Circuit.

25 (8) Thirty-fifth Judicial Circuit.

26 (9) Forty-eighth Judicial Circuit.

27 **(10) Fifty-fourth Judicial Circuit.**



1       Section 3.   KRS 23A.050~~[, effective July 15,]~~ (*Veto #4*) is amended to read as  
2 follows:

3   The following judicial circuits are entitled to four (4) judges and shall have four (4)  
4 numbered divisions of the Circuit Court:

5   (1)   Eighth Judicial Circuit.

6   (2)   *Ninth Judicial Circuit.*

7   (3)   Sixteenth Judicial Circuit.

8   (4)~~[(3)]~~   Twenty-fifth Judicial Circuit.

9       Section 4.   KRS 24A.050, effective January 1, 2007, is amended to read as follows:

10   The following judicial districts are entitled to two (2) District Judges and shall have two  
11 (2) numbered divisions of the District Court:

12   (1)   Second Judicial District.

13   (2)   Third Judicial District.

14   (3)   Fourth Judicial District.

15   (4)~~[(Eighth Judicial District.~~

16   (5)~~]~~   Ninth Judicial District.

17   (5)~~[(6)]~~   Eleventh Judicial District.

18   (6)~~[(7)]~~   Twelfth Judicial District.

19   (7)~~[(8)]~~   Thirteenth Judicial District.

20   (8)~~[(9)]~~   Fourteenth Judicial District.

21   (9)~~[(10)]~~   Fifteenth Judicial District.

22   (10)~~[(11)]~~   Seventeenth Judicial District.

23   (11)~~[(12)]~~   Twenty-first Judicial District.

24   (12)~~[(13)]~~   Twenty-fourth Judicial District.

25   (13)~~[(14)]~~   Twenty-fifth Judicial District.

26   (15)~~]~~   Twenty-seventh Judicial District.

27   (14)~~[(16)]~~   Twenty-eighth Judicial District.

1 ~~(15)~~~~(17)~~ Thirty-first Judicial District.

2 ~~(16)~~~~(18)~~ Thirty-second Judicial District.

3 ~~(17)~~~~(19)~~ Thirty-fourth Judicial District.

4 ~~(18)~~~~(20)~~ Thirty-fifth Judicial District.

5 ~~(19)~~~~(21)~~ Thirty-eighth Judicial District.

6 ~~(20)~~~~(22)~~ Fortieth Judicial District.

7 ~~(21)~~~~(23)~~ Forty-first Judicial District.

8 ~~(22)~~~~(24)~~ Forty-sixth Judicial District.

9 ~~(23)~~~~(25)~~ Forty-eighth Judicial District.

10 ~~(24)~~~~(26)~~ Fifty-first Judicial District.

11 ~~(25)~~~~(27)~~ Fifty-third Judicial District.

12 ~~(26)~~~~(28)~~ Fifty-fourth Judicial District.

13 ~~(27)~~~~(29)~~ Fifty-fifth Judicial District.

14 ~~(28)~~~~(30)~~ Fifty-sixth Judicial District.

15 Section 5. KRS 24A.060, effective January 1, 2007, is amended to read as follows:

16 **The following judicial districts are entitled to three (3) District Judges and shall have**  
 17 **three (3) numbered divisions of the District Court:**

18 **(1) Sixth Judicial District.**

19 **(2) Eighth Judicial District.**

20 **(3) Twenty-fifth Judicial District**~~[The Sixth Judicial District is entitled to three (3)~~  
 21 ~~District Judges and shall have three (3) numbered divisions of the District Court].~~

22 Section 6. The new judgeships created by Sections 1 to 5 of this Part shall become  
 23 effective January 1, 2007~~], and an election to fill each new judgeship shall be placed on~~  
 24 ~~the ballot for the general election held in November, 2006. Notwithstanding KRS~~  
 25 ~~118A.060(2), a candidate for a judgeship created by Sections 1 to 5 of this Part may file a~~  
 26 ~~petition for nomination during the time period beginning on the effective date of this Act~~  
 27 ~~and ending at 4 p.m. local time at the place of filing on August 8, 2006. KRS Chapter~~

- 1 ~~118A notwithstanding, all candidates for a judgeship created by Sections 1 to 5 of this~~
- 2 ~~Part who file a valid petition for nomination shall be placed on the ballot]. (Veto #4)~~

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# Debt Financing

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## **DEBT FINANCING**

### **2006-2008 Budget of the Commonwealth**

The 2006 Kentucky General Assembly enacted \$2,010,528,000 in new debt-financed projects.

#### **Structure**

The Commonwealth's indebtedness is classified as either appropriation supported or non-appropriation supported debt.

**Appropriation supported debt** carries the name of the Commonwealth and is either (i) a general obligation of the state, or (ii) a project revenue obligation of one of its debt-issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenues are not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

**Moral obligation debt** carries the name of the Commonwealth for the benefit and convenience of other agencies or municipal corporations within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any General Funds to fulfill the financial obligations represented by these types of indebtedness. In the event of a shortfall, the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

## APPROPRIATION SUPPORTED DEBT SERVICE AS A PERCENT OF TOTAL REVENUE (%)

<b>Fiscal Year</b>	<b>Percent of Total Revenue</b>	<b>Fiscal Year</b>	<b>Percent of Total Revenue</b>
1985	5.91	1997	5.61
1986	5.82	1998	5.27
1987	5.01	1999	5.05
1988	5.41	2000	5.90
1989	5.40	2001	5.58
1990	5.24	2002	5.18
1991	5.14	2003	5.70
1992	6.18	2004	5.44
1993	5.99	2005	4.85
1994	5.90	2006	6.29*
1995	5.70	2007	5.92*
1996	5.62	2008	6.79*

\*Estimated. Assumes all appropriated debt is issued by June 30, 2008.

The above analysis for fiscal years 2006 through 2008 is premised on the following assumptions:

- Fiscal years 2006-2008 General Fund and Road Fund revenues are based on the enacted Revenue Estimates.
- Agency Fund revenues are based on actual fiscal year 2005 revenue from the Supplementary Information to the fiscal year 2005 Comprehensive Annual Financial Report with no implied growth rate for fiscal year 2007 and fiscal year 2008.
- All remaining appropriated but unissued debt was assumed issued by June 30, 2006, at the template rates except for School Facilities Construction Commission debt that is appropriated at a lower level and except for the Kentucky Asset Liability Commission's 2005 Second Series General Fund Bond Anticipation Notes.
- Two percent (2%) Cost of Issuance. Where actual debt service is unknown, required debt service is estimated from amortization schedules using the debt service template rates.



## DEBT APPROPRIATED BY RECENT SESSIONS OF THE GENERAL ASSEMBLY

<u>Biennium</u>	<u>Principal Debt Appropriated</u>	<u>Biennium</u>	<u>Principal Debt Appropriated</u>
1984-86	\$ 535,929,000	1996-98 <sup>1</sup>	\$ 242,182,000
1986-88	494,721,100	1998-00 <sup>2</sup>	1,091,928,000
1988-90	364,171,900	2000-02 <sup>3</sup>	1,046,927,600
1990-92	1,148,218,400	2002-04 <sup>4</sup>	828,936,380
1992-94	439,375,100	2004-06 <sup>5</sup>	1,906,315,300
1994-96	429,575,900	2006-08 <sup>6</sup>	2,010,528,000

<sup>1</sup> **Enacted in the 1996-1998 Budget of the Commonwealth, and the 1997 Second Extraordinary Session of the Kentucky General Assembly.**

Excludes \$60,000,000 of Agency Bonds for Kentucky Infrastructure Authority that was unable to be acted on.

<sup>2</sup> **Debt Enacted in the 1998-2000 Budget of the Commonwealth.**

\$600,830,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Funds. \$201,000,000 was appropriated for the School Facilities Construction Commission, however, debt service was appropriated for only \$108,130,000 in debt. \$126,898,000 was appropriated in the General Fund Surplus Expenditure Plan in fiscal year 1998-99.

<sup>3</sup> **Debt Enacted in the 2000-2002 Budget of the Commonwealth.**

General Fund Appropriation:	\$901,202,600
Road Fund Appropriation:	\$ 28,200,000
Agency Fund Appropriation:	\$117,525,000

The 2000 Session of the Kentucky General Assembly appropriated \$1,053,015,600 of debt. The Secretary of the Finance and Administration Cabinet, through authority granted in the Appropriations Act, determined that \$6,088,000 of debt appropriated projects would be funded with General Fund cash, thereby reducing the appropriated amount to \$1,046,927,600.

<sup>4</sup> **Debt Enacted in the 2002-2004 Budget of the Commonwealth.**

General Fund Appropriation:	\$621,936,380
Agency Fund Appropriation:	\$207,000,000

<sup>5</sup> **Debt Enacted in the 2004-2006 Budget of the Commonwealth.**

General Fund Appropriation:	\$1,204,589,300
Road Fund Appropriation:	\$ 450,000,000
Agency Fund Appropriation:	\$ 251,726,000

The 2005 Session of the Kentucky General Assembly also appropriated \$150,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Federal Highway Funds received by the Transportation Cabinet.

<sup>6</sup> **\$2,010,528,000 Debt Enacted in the 2006-2008 Budget of the Commonwealth.**

General Fund Appropriation:	\$1,392,991,000
Road Fund Appropriation:	\$ 350,000,000
Agency Fund Appropriation:	\$ 267,537,000

The 2006 Session of the Kentucky General Assembly also appropriated \$290,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Federal Highway Funds received by the Transportation Cabinet.

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# Revenue Estimates

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**General Fund**  
**Consensus Forecast for FY 2006 to FY 2008**  
December 20, 2005

	<b>FY05 Actual</b>	<b>FY06 Estimate</b>	<b>FY07 Estimate</b>	<b>FY08 Estimate</b>
<b><u>General Fund Revenues (million \$)</u></b>				
Sales & Use	2,595.0	2,706.6	2,770.6	2,890.1
Individual Income	3,036.2	2,925.5	3,083.5	3,234.6
Corporation Inc & Lic	612.7	928.7	852.0	868.0
Coal Severance	184.4	214.3	217.1	217.8
Cigarette	33.7	181.5	170.9	171.7
Property	472.6	495.7	475.5	500.5
Lottery	161.3	170.0	165.5	170.5
Other	549.2	593.8	606.0	622.5
<b>Total General Fund</b>	<b>7,645.0</b>	<b>8,216.2</b>	<b>8,341.2</b>	<b>8,675.7</b>

**Annual Percentage Growth Rates**

Sales & Use	6.0	4.3	2.4	4.3
Individual Income	8.6	-3.6	5.4	4.9
Corporation Inc & Lic	43.4	51.6	-8.3	1.9
Coal Severance	25.0	16.2	1.3	0.3
Cigarette	97.1	438.6	-5.8	0.5
Property	5.3	4.9	-4.1	5.3
Lottery	-7.2	5.4	-2.6	3.0
Other	5.8	8.1	2.1	2.7
<b>Total General Fund</b>	<b>9.6</b>	<b>7.5</b>	<b>1.5</b>	<b>4.0</b>

**"New" Dollars (million \$)**

Sales & Use	147.4	111.6	64.0	119.5
Individual Income	239.9	-110.7	158.0	151.1
Corporation Inc & Lic	185.3	316.0	-76.7	16.0
Coal Severance	36.9	29.9	2.8	0.7
Cigarette	16.6	147.8	-10.6	0.8
Property	23.8	23.1	-20.2	25.0
Lottery	-12.5	8.7	-4.5	5.0
Other	30.0	44.6	12.2	16.5
<b>Total General Fund</b>	<b>667.4</b>	<b>571.2</b>	<b>125.0</b>	<b>334.5</b>

# General Fund Detailed Report

## Consensus Forecast Group

### December 20, 2005

Source	Actual 2003-04	Actual 2004-05	Estimate 2005-06	Estimate 2006-07	Estimate 2007-08
<b><u>Selected Sales and Gross Receipts Taxes</u></b>					
Sales & Use	2,447,584,698	2,594,966,373	2,706,600,000	2,770,600,000	2,890,100,000
Cigarette Excise Tax	17,136,198	15,684,892	14,900,000	15,000,000	15,100,000
Cigarette Surtax	0	9,281,988	154,600,000	155,900,000	156,600,000
Cigarette Floor Stock Tax	0	8,701,966	12,100,000	0	0
Distilled Spirits Case Sales	87,662	92,178	100,000	100,000	100,000
Insurance Tax Foreign Companies	36,735,325	35,280,814	33,900,000	32,500,000	31,300,000
Insurance Tax Companies Other Than Life	79,870,778	84,051,975	87,900,000	92,500,000	97,300,000
Insurance Tax Fire Prevention Fund	3,917,852	4,077,303	4,200,000	4,400,000	4,600,000
Pari-Mutuel	3,629,292	4,710,111	5,500,000	5,300,000	5,100,000
Race Track Admission	232,350	195,068	200,000	200,000	200,000
Beer Consumption	6,320,886	6,387,318	6,800,000	6,800,000	6,900,000
Distilled Spirits Consumption	8,985,826	9,190,089	10,000,000	10,200,000	10,400,000
Wine Consumption	2,005,265	2,279,162	2,300,000	2,500,000	2,600,000
Beer Wholesale	37,439,919	37,815,717	47,600,000	49,200,000	50,600,000
Distilled Spirits Wholesale	16,957,192	18,150,313	22,500,000	23,900,000	24,800,000
Wine Wholesale	7,306,985	7,835,853	9,600,000	10,500,000	11,100,000
Other Tobacco Products	0	0	6,000,000	6,000,000	6,000,000
Telecom Excise Tax	0	0	11,400,000	28,500,000	29,800,000
Telecom Gross Receipts Tax	0	0	18,800,000	30,800,000	31,700,000
<b>TOTAL SELECTED SALES AND GROSS RECEIPTS TAXES</b>	<b>2,688,210,228</b>	<b>2,838,701,120</b>	<b>3,155,000,000</b>	<b>3,244,900,000</b>	<b>3,374,300,000</b>
<b><u>License and Privilege Taxes</u></b>					
Coal Severance Tax	147,498,230	184,436,935	214,300,000	217,100,000	217,800,000
Mineral Severance Tax	13,711,874	13,494,541	17,000,000	16,000,000	15,000,000
Natural Gas Severance Tax	22,511,188	25,307,125	27,000,000	26,000,000	25,000,000
Oil Production	3,387,884	4,710,832	6,500,000	5,500,000	5,500,000
Corporate License	124,096,012	134,149,794	62,800,000	0	0
Cigarette License	104,200	99,872	100,000	100,000	100,000
Amusement Machine License	30,027	0	0	0	0
Race Track License	335,625	324,642	300,000	400,000	400,000
Marijuana and Controlled Substance Tax	79,300	79,414	0	0	0
Bank Franchise Tax	55,467,195	63,837,587	64,800,000	66,000,000	70,000,000
Corporation Organization	143,805	613,048	200,000	200,000	200,000
Cir. Ct. Clk. - Driver License Receipts	523,979	522,904	500,000	500,000	500,000
Sand and Gravel License	9,475	9,475	0	0	0
Relicensure Fees (Driver's License)	0	0	0	0	0
Alcoholic Beverage License Suspension	223,700	237,101	200,000	200,000	200,000
Convention Center Caterer License	0	0	0	0	0
<b>TOTAL LICENSE AND PRIVILEGE TAXES</b>	<b>368,122,494</b>	<b>427,823,270</b>	<b>393,700,000</b>	<b>332,000,000</b>	<b>334,700,000</b>
<b><u>Income Taxes</u></b>					
Corporation Income Tax	303,262,821	478,504,505	865,900,000	852,000,000	868,000,000
Individual Income Tax	2,796,331,049	3,036,230,706	2,925,500,000	3,083,500,000	3,234,600,000
<b>TOTAL INCOME TAXES</b>	<b>3,099,593,870</b>	<b>3,514,735,211</b>	<b>3,791,400,000</b>	<b>3,935,500,000</b>	<b>4,102,600,000</b>
<b><u>Property Taxes</u></b>					
General - Real	192,534,530	202,182,555	214,700,000	227,800,000	241,900,000
General - Tangible Personal	59,515,398	61,518,515	66,500,000	70,500,000	74,600,000
General - Intangible Personal	27,547,183	26,912,813	28,800,000	0	0
General - Motor Vehicle	91,499,330	94,214,906	99,900,000	105,000,000	110,200,000
Bank Deposits	467,711	474,098	480,000	480,000	500,000
Distilled Spirits Ad Valorem	375,637	388,612	400,000	360,000	400,000
Marginal Accounts	92,585	118,056	0	0	0
Omitted Property Tax	8,918,539	13,229,604	12,900,000	9,900,000	9,300,000
Delinquent Tax - Prior Year	6,910,687	7,417,243	7,000,000	7,000,000	7,000,000
Apportioned Vehicles	(1,859,523)	4,149,668	4,500,000	4,700,000	5,000,000
Public Service Company	60,178,393	58,787,595	58,000,000	47,500,000	49,500,000
Domestic Life Insurance	71,672	9,375	5,000	5,000	5,000
Retirement Plans	286	325	0	0	0
Building & Loan Assoc. Capital Stock	2,513,083	3,192,911	2,500,000	2,300,000	2,100,000
<b>TOTAL PROPERTY TAXES</b>	<b>448,765,511</b>	<b>472,596,276</b>	<b>495,685,000</b>	<b>475,545,000</b>	<b>500,505,000</b>

# General Fund Detailed Report

## Consensus Forecast Group

### December 20, 2005

Source	Actual 2003-04	Actual 2004-05	Estimate 2005-06	Estimate 2006-07	Estimate 2007-08
<b><u>Inheritance Taxes</u></b>					
Inheritance Tax	66,083,705	63,174,866	47,000,000	50,000,000	52,000,000
<b>TOTAL INHERITANCE TAXES</b>	<b>66,083,705</b>	<b>63,174,866</b>	<b>47,000,000</b>	<b>50,000,000</b>	<b>52,000,000</b>
<b><u>Departmental Fees, Sales and Rentals</u></b>					
Public Service Commission Assessments	5,389,636	13,568,805	11,400,000	11,000,000	11,000,000
Insurance - Retaliatory Taxes & Fees	1,232,900	1,423,076	1,200,000	1,200,000	1,200,000
Sec. of State - Process Agents Fees	1,551,762	814,654	800,000	1,000,000	1,500,000
Circuit Court Clk. - Civil Filing Fee Receipts	9,360,018	10,216,622	10,500,000	11,000,000	11,500,000
Circuit Court Clk. - Bond Filing Fee	535,201	527,591	500,000	500,000	500,000
Circuit Court Clk. - 10% Bond Fee	734,486	774,784	800,000	800,000	800,000
Circuit Court Clk. - Receipts for Services	3,692,478	4,079,403	4,000,000	4,100,000	4,200,000
Strip Mining & Reclamation Fees	1,061,100	958,125	1,000,000	1,200,000	1,200,000
Strip Mining & Reclamation - Fines Coll.	933,135	513,074	1,000,000	800,000	800,000
Master Commissioner Sales	4,000,000	0	0	0	0
Miscellaneous - Pub Advoc; Sec State Fee	3,059,942	3,234,853	3,000,000	3,200,000	3,400,000
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>31,550,658</b>	<b>36,110,987</b>	<b>34,200,000</b>	<b>34,800,000</b>	<b>36,100,000</b>
<b><u>Investment Receipts</u></b>					
General Depository Investment Income **	3,609	6,079,738	2,000,000	2,000,000	2,000,000
Circuit Court Clk. - Interest Income	1,013,690	871,163	900,000	900,000	900,000
Interest on Investments - Withholding Accts.	6	0	0	0	0
Ky Asset/Liab - TRAN	0	0	6,000,000	6,000,000	6,000,000
<b>TOTAL INVESTMENT RECEIPTS</b>	<b>1,017,305</b>	<b>6,950,901</b>	<b>8,900,000</b>	<b>8,900,000</b>	<b>8,900,000</b>
<b><u>Miscellaneous Revenue</u></b>					
Lottery	173,800,000	161,252,000	170,000,000	165,500,000	170,500,000
Legal Process - Clk. Supreme Court	\$122,917	124,737	200,000	200,000	200,000
Legal Process - Clk. Court of Appeals	10,582	90,407	100,000	100,000	100,000
Dept. of Rev. Legal Process Taxes - Co. Clk.	3,433,858	3,244,167	3,700,000	3,600,000	3,500,000
Dept. of Rev. Penalty & Int. of Co. Officials	(28,970)	4,236	0	0	0
Legal Process - Attorney General's Office	0	0	0	0	0
Judgment Fees for Delinquent Taxes	0	0	0	0	0
TVA - In Lieu of Taxes - State Portion	8,146,924	8,559,023	8,300,000	8,700,000	9,200,000
F.H.A. - In Lieu of Taxes	44,751	49,372	0	0	0
R.E.C.C. and R.T.C.C. In Lieu of Taxes	310	300	0	0	0
Business Development - In Lieu of Taxes	0	0	0	0	0
Abandoned Property	32,607,826	50,904,812	33,400,000	8,000,000	8,000,000
Circuit Court Clk. - Fish & Wildlife Fines	89,911	76,418	100,000	100,000	100,000
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	48,029,954	44,206,674	46,100,000	47,500,000	49,000,000
Circuit Court Clk. - Bond Forfeitures	1,447,243	1,781,927	1,800,000	1,900,000	2,000,000
Fines Dept Insurance	620,619	944,765	700,000	700,000	700,000
NREP-Haz. Material & Waste - Fines & Pen.	0	0	0	0	0
Workplace & Employment Stds, Fees, Fines	1,184,493	1,284,827	1,400,000	1,500,000	1,600,000
Sale of NOx Credits	11,836,125	3,696,675	2,800,000	0	0
Unclassified Receipts	2,015	0	0	0	0
Other Fines & Unhonored Checks	2,338,414	787,256	2,000,000	2,000,000	2,000,000
<b>TOTAL MISCELLANEOUS REVENUE</b>	<b>283,686,972</b>	<b>277,007,596</b>	<b>270,600,000</b>	<b>239,800,000</b>	<b>246,900,000</b>
<b>MISC. NOT IN REVENUE ESTIMATES</b>	<b>10,592,457</b>	<b>7,946,407</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>NET NEW ENFORCEMENT REVENUE</b>	<b>0</b>	<b>0</b>	<b>11,725,000</b>	<b>11,725,000</b>	<b>11,725,000</b>
<b>TOTAL GENERAL FUND</b>	<b>6,977,623,200</b>	<b>7,645,046,634</b>	<b>8,216,210,000</b>	<b>8,341,170,000</b>	<b>8,675,730,000</b>

## CHANGES TO CONSENSUS REVENUE FORECAST

	<u>Revised FY 2006</u>	<u>Enacted FY 2007</u>	<u>Enacted FY 2008</u>
Continuation of Revenue Measures		7,600,000	7,900,000
<b>Other Resources:</b>			
Lottery Proceeds	20,000,000		
State's Increased Portion of TVA in-lieu of Taxes	1,147,000	1,949,000	1,369,000
Public Service Commission Adjustment		1,624,800	2,006,000
Administrative Offsets of Claims against the Commonwealth (House Bill 380, Part XVI)		0	1,000,000
Electronic Levy for Delinquent Taxes (HB 380, Part XVII)		0	5,600,000
Motor Carrier Property Tax on Apportioned Trucks (House Bill 380, Part XV)		4,550,000	2,500,000
County Clerks - Sales and Use Tax (HB 380, Part XIV)		250,000	500,000
Abandoned Property-Sale of Aged Securities		6,000,000	17,500,000
Abandoned Property-Traveler's Checks		2,400,000	300,000
Economic Development Growth Impact		6,450,000	13,590,000
Department of Revenue-Increased Collections		20,349,500	42,926,400
Small Winery Sales Tax Exemption (SB 82)		(135,800)	(344,000)
Cigarette Excise Tax on Rolling Papers (HB 380, Part XXXIII)		750,000	750,000
Military Family Income Tax Exemption (HB 380, Part XXVIII)		(45,000)	(45,000)
<b>Subtotal-Other Resources</b>	<b>21,147,000</b>	<b>44,142,500</b>	<b>87,652,400</b>
Small Business AMC Relief (House Bill 380, Part XIII)		(1,870,000)	(6,080,000)
Non-Participating Manufacturers Voluntary Assignment (House Bill 380, Part XIX)*		35,000,000	20,000,000
<b>Total Changes to Consensus Revenue Forecast</b>	<b>21,147,000</b>	<b>84,872,500</b>	<b>109,472,400</b>

\* Appropriated to the Budget Reserve Trust Fund when received.



**Road Fund**  
**Consensus Forecast for FY 2006 to FY 2008**  
December 20, 2005

	<b>FY05 Actual</b>	<b>FY06 Estimate</b>	<b>FY07 Estimate</b>	<b>FY08 Estimate</b>
<b><u>Road Fund Revenues (millions \$)</u></b>				
Motor Fuels	490.8	528.5	563.0	567.2
Motor Vehicle Usage	407.5	401.2	410.3	418.8
Motor Vehicle License	91.9	90.2	92.2	94.1
Motor Vehicle Operators	5.9	16.6	17.4	17.7
Weight Distance	83.1	85.4	87.4	90.5
Investment	5.5	3.8	9.0	7.5
Other	41.8	44.0	43.8	43.8
<b>Total Road Fund</b>	<b>1,126.5</b>	<b>1,169.7</b>	<b>1,223.1</b>	<b>1,239.6</b>

**Annual Percentage Growth Rates**

Motor Fuels	6.7	7.7	6.5	0.7
Motor Vehicle Usage	-5.1	-1.5	2.3	2.1
Motor Vehicle License	-1.6	-1.8	2.2	2.1
Motor Vehicle Operators	4.9	181.4	4.8	1.7
Weight Distance	4.4	2.8	2.3	3.5
Investment	-26.4	-30.9	136.8	-16.7
Other	1.0	5.3	-0.5	0.0
<b>Total Road Fund</b>	<b>0.9</b>	<b>3.8</b>	<b>4.6</b>	<b>1.3</b>

**"New" Dollars (million \$)**

Motor Fuels	na	37.7	34.5	4.2
Motor Vehicle Usage	na	-6.3	9.1	8.5
Motor Vehicle License	na	-1.7	2.0	1.9
Motor Vehicle Operators	na	10.7	0.8	0.3
Weight Distance	na	2.3	2.0	3.1
Investment	na	-1.7	5.2	-1.5
Other	na	2.2	-0.2	0.0
<b>Total Road Fund</b>	<b>na</b>	<b>43.2</b>	<b>53.4</b>	<b>16.5</b>

# Road Fund Detailed Report

## Consensus Forecast FY 2006-08

### December 20, 2005

	FY 2005 Actual	FY 2006 Estimated	FY 2007 Estimated	FY 2008 Estimated
<b><u>Sales and Gross Receipts Taxes</u></b>				
Motor Fuels Normal and Normal Use	490,369,979	528,000,000	562,500,000	566,700,000
Motor Vehicle Usage	373,034,898	366,700,000	375,700,000	384,100,000
Motor Vehicle Rental Usage	34,436,432	34,500,000	34,600,000	34,700,000
Truck Trip Permits	445,085	500,000	500,000	500,000
Sales and Use	10	0	0	0
Usage Tax on Buses	54,022	0	0	0
Supplemental Fuel Surtax	0	0	0	0
Usage Tax on Historical Vehicles	0	0	0	0
<b>TOTAL SALES AND GROSS RECEIPTS TAX</b>	<b>898,340,426</b>	<b>929,700,000</b>	<b>973,300,000</b>	<b>986,000,000</b>
<b><u>License and Privilege Taxes</u></b>				
Drive Away Utility Trailer Permits	6,195	6,200	6,200	6,200
Amateur Radio Plate	9,411	9,000	9,000	9,000
Passenger Car License	21,104,001	21,200,000	21,200,000	22,550,000
Truck License - State Share	24,737,956	24,900,000	25,000,000	25,500,000
Motorcycle License	453,010	460,000	460,000	460,000
Motorcycle License-Program GA19	360,525	0	0	0
Dealers License	280,369	290,000	290,000	290,000
Transfer License	610,849	620,000	630,000	650,000
Trailer License	1,488,229	1,500,000	1,550,000	1,700,000
County Clerk Penalty	72,462	75,000	75,000	75,000
Bus License - Except City	29,227	30,000	30,000	30,000
Bus Certificates and Permits	3,700	4,000	4,000	4,000
Taxi License	28,683	29,000	29,000	29,000
Truck Permits	86,388	90,000	91,000	92,000
Contract Taxicab Permit	58,665	60,000	61,000	62,000
Motor Vehicle Operator's License	3,659,269	14,200,000	14,800,000	14,900,000
Motor Vehicle Operator's License-Program GA19	282,415	0	0	0
Highway Special Permits	6,345,747	6,450,000	6,600,000	6,700,000
U-Drive-It Permits	10,570	11,000	11,000	11,000
U-Drive-Licenses	1,579,814	1,600,000	1,610,000	1,650,000
Junk Yard License	3,347	3,500	3,500	3,500
Historic Vehicle License	227,600	230,000	230,000	230,000
Operator's License-Driver Education	605,339	710,000	810,000	910,000
Truck Proportional Registration	37,615,362	37,000,000	38,000,000	40,000,000
Operator's License - Photography Program	1,352,224	1,700,000	1,800,000	1,900,000
Industrial Hauling Permits	2,960	3,000	3,000	3,000
General Assembly License Plates	2,057	2,000	2,000	2,000
Pearl Harbor Survivor Plates	228	150	150	150
Collegiate Plates	694,663	700,000	750,000	780,000
Personalized License Plates	1,044,442	1,100,000	1,100,000	1,100,000
Army Reserve Plates	408,608	490,000	510,000	530,000
Purple Heart Plates	31,445	31,000	31,000	33,000
Judicial License Plates	840	750	750	750
Civil Air Patrol Plates	1,001	1,000	1,000	1,000
National Guard License Plates	7,283	7,500	7,500	7,500
Civic Event Plates	658	750	750	750
Street Rod Plates	1,853	1,900	1,900	1,900
Fraternal Order of Police Plates	251,010	255,000	255,000	265,000
Environmental License Plate	1,318,970	1,400,000	1,400,000	1,500,000
Dealer Demonstrator Tags	6,132	6,200	6,200	6,200
Volunteer Fireman License Tags	63,291	65,000	65,000	65,000
P.O.W. License Plates	161	130	130	130
Motor Carrier Identification Cards	5,483,789	5,500,000	5,600,000	5,700,000
Weight Distance Tax	83,069,295	85,400,000	87,400,000	90,500,000
DES License Plates	8,389	8,400	8,400	8,400
Child Victims License Plates	150,350	150,000	150,000	160,000
Masonic License Plates	42,771	40,000	40,000	40,000
Horse Council Plates	580,336	590,000	590,000	600,000
Temporary Tags	482,122	480,000	490,000	490,000
Nonreciprocal Permits	261,130	260,000	260,000	260,000
Overweight Coal Truck Permit	1,041,912	1,000,000	1,100,000	1,300,000
Temporary Truck Decal Permits	46,566	50,000	50,000	50,000
<b>TOTAL LICENSE AND PRIVILEGE TAX</b>	<b>196,013,619</b>	<b>208,720,480</b>	<b>213,072,480</b>	<b>221,116,480</b>

**Road Fund Detailed Report**  
**Consensus Forecast FY 2006-08**  
**December 20, 2005**

	FY 2005 Actual	FY 2006 Estimated	FY 2007 Estimated	FY 2008 Estimated
<b><u>Departmental Fees, Sales and Rentals</u></b>				
Proposal Sales	44,740	45,000	45,000	45,000
Specification and Blue Print Sales	415,406	420,000	420,000	420,000
Miscellaneous Rentals	511,353	520,000	520,000	520,000
MVL Computer Services	550,275	550,000	550,000	550,000
Fines and Forfeitures	2,616	2,700	2,700	2,700
Traffic Offenders School Fees	1,326,645	1,400,000	1,400,000	1,500,000
Record Copy Sales	65,378	67,000	67,000	67,000
Highway Sign Logo Rental	518,451	520,000	540,000	560,000
Driving History Record Fee	5,189,654	5,300,000	5,300,000	5,400,000
Operator's License Reinstatement Fees	1,181,513	1,200,000	1,200,000	1,300,000
Operator's License Name Sales	0	0	0	0
Penalty & Interest - Weight and Use Taxes	1,870,513	1,900,000	2,000,000	2,000,000
Medical Alert Stickers	151	175	175	175
Motor Vehicle Title Receipts	4,776,144	4,900,000	5,000,000	5,100,000
Proceeds from Asset Disposition	1,529,897	1,600,000	1,600,000	1,800,000
Coal Road Recovery Fines	2,751	3,000	3,000	3,000
U-Drive-It Penalty and Interest	26,900	30,000	30,000	30,000
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>18,012,387</b>	<b>18,457,875</b>	<b>18,677,875</b>	<b>19,297,875</b>
<b><u>Toll Facility Income</u></b>				
Audubon Parkway	1,471,424	1,500,000	1,500,000	900,000
Green River Parkway	4,826,064	4,900,000	5,000,000	1,800,000
Daniel Boone Parkway	1,521	0	0	0
Cumberland Parkway	40	0	0	0
<b>TOTAL TOLL FACILITY INCOME</b>	<b>6,299,049</b>	<b>6,400,000</b>	<b>6,500,000</b>	<b>2,700,000</b>
<b><u>Investment Income</u></b>				
Investment Income	5,524,646	3,800,000	9,000,000	7,500,000
<b>TOTAL INVESTMENT INCOME</b>	<b>5,524,646</b>	<b>3,800,000</b>	<b>9,000,000</b>	<b>7,500,000</b>
<b><u>Miscellaneous Income</u></b>				
Property Damage	524,547	550,000	550,000	550,000
Highway Loss Claims	0	0	0	0
Highway Miscellaneous Receipts	0	0	0	0
Cold Check Account	0	0	0	0
Motor Carrier - Misc.	0	0	0	0
Gain on Disposition of Investment	0	0	0	0
Other State Grants	0	0	0	0
Mass Transit - Local Grants	0	0	0	0
Off-Systems Local Grants	0	0	0	0
Toll Credit Card Receipts	71,420	75,000	75,000	0
Tax Clearing Account	0	0	0	0
Higher Education Equine Fund	0	0	0	0
Coal Severance	0	0	0	0
Legal Processs - County Court Clerk	0	0	0	0
Inheritance and Estate Tax	0	0	0	0
Individual Income Tax	0	0	0	0
<b>TOTAL MISCELLANEOUS INCOME</b>	<b>595,967</b>	<b>625,000</b>	<b>625,000</b>	<b>550,000</b>
<b>MISC. NOT IN REVENUE ESTIMATES</b>	<b>1,768,308</b>	<b>2,000,000</b>	<b>1,950,000</b>	<b>2,450,000</b>
<b>TOTAL ROAD FUND REVENUE</b>	<b>1,126,554,402</b>	<b>1,169,703,355</b>	<b>1,223,125,355</b>	<b>1,239,614,355</b>

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## Other

- **State of the Commonwealth 2006**  
January 9, 2006
- **2006 State Budget Address**  
January 17, 2006

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## State of the Commonwealth 2006

**Governor Ernie Fletcher**  
**Monday, January 09, 2006**  
**07:00 PM**

First Lady, Lieutenant Governor Pence, President Williams and Speaker Richards, Constitutional Officers, Legislators, Justices and my fellow Kentuckians...

I am here tonight to report on the state of Kentucky to the legislature and to the people of our Commonwealth.

I can tell you that the people of Kentucky are more productive, more competitive, more connected, better educated, and better off economically, than when we met together just one year ago.

We've made exceptional progress over the last two years.

It only worked because we did it together. Democrats, Republicans, Independents...we put those labels aside and identified ourselves with a term far more important...we were Kentuckians first.

And, as Kentuckians we accomplished remarkable things.

Since January 2004, more than 65,000 new jobs have been added in the Commonwealth.

We turned a projected billion-dollar deficit into a \$214 million surplus without raising taxes.

We overhauled our antiquated tax system. We increased funding for elementary and secondary education.

We improved healthcare, initiated one of the largest road building programs in our history, started an expansion of the Internet across the Commonwealth, ramped up our war on drugs and cleaned up long-suffering parts of our environment.

Just this fiscal year, we reduced Medicaid costs by \$250 million without reducing services.

We branded the "Unbridled Spirit" of our state and have improved the perception of our Commonwealth.

And with Senator Borders and Representative Adkins, we opened the Big Sandy facility, our newest and most efficient correction facility.

We did all of this while making our state government far more efficient.

And we did it together, as Kentuckians.

Let me thank all of our state workers. Without their hard work none of this would have been possible.

Tonight, we'll talk about how to do that again...how to continue the remarkable gains we have made in just two years.

I'd like to honor Representative Jim Bruce. We are proud of your leadership, your work and your tenure, the longest of any legislator.

There are so many individuals in this audience who helped make the last session a success. I thank you all.

Tonight I would like to bring special recognition to the men and women of the Kentucky National Guard.

With us tonight in the gallery is Specialist Jason Mike.

He and two other members were awarded the Silver Star for demonstrating exemplary courage under fire, during an ambush in Iraq.

We salute you, Jason and the entire guard for your service to our nation and to our state.

I'd like to introduce another hero: Kentucky State Police Captain Bill Sullivan.

Captain Sullivan recently received the Governor's Medal of Valor for his courage in a hostage standoff near Burkesville.

In spite of being fired upon, Captain Sullivan, risking his own life, broke through a door and pulled a hostage to safety.

Captain, tonight we honor you and all of our State Troopers.

Many members of the Kentucky National Guard, State Police, Fish and Wildlife, Vehicle Enforcement and other organizations rushed to the aid of our neighbors in the Gulf Coast. Tonight we thank all of you for your service and dedication.

I also want to thank the individual Kentuckians who, on their own, journeyed to help in Mississippi and Louisiana.

Following those tragedies, many evacuees came to Kentucky. One I spoke with in Murray, said Kentuckians not only provided food and shelter as many had done, but we also gave them dignity.

Some who lost their homes came to stay. The Frank family -- Fred, Jodi and their three children settled in Mt. Sterling.

Fred, a proud veteran of Operation Iraqi Freedom, is here tonight. He and Jodi found jobs, and their children found new friends at new schools.

Now they are proud Kentuckians.

And we are proud that the Franks and many people like them found Kentucky a good and safe place to live, work and raise a family.

Fred, welcome to Kentucky.

Tonight, let us remember Dr. Thomas D. Clark. When he entered the annals of Kentucky history in June, our Commonwealth lost one of its wisest and most ardent supporters.

He wrote, "The history of Kentucky has ever been one of contrast and change. It may at times have been frustrating and self-defeating in nature. At other times it may have had its glorious and satisfying moments, but it has never been dull."

Let me assure you, for me, the last two years of Kentucky politics have been anything but dull.

Not all of us align philosophically or politically, yet the successes we saw the last time this body met were accomplished because we worked together.

And I thank you, members and leadership of the Senate and the House, for working together in 2005.

We did what many considered impossible. You and I overhauled Kentucky's tax structure. We raised the cigarette tax and reduced smoking. We corrected a projected billion dollar deficit without tax hikes.

Working together we accomplished monumental changes for Kentucky.

Since January 2004, companies have invested more than \$5 billion in new or expanded manufacturing here in Kentucky.

We are creating a more business friendly environment by working with, and not against business, and we are adopting bold strategies to attract creative talent and high-paying jobs to our state.

We are recognizing that economic development opportunities exist in many forms.

For example, we have succeeded in attracting the World Equestrian Games to Kentucky in 2010. It's the first time in history, that this event will be held outside of Europe, bringing half a million visitors to Kentucky.



Not only will the games bring \$100 million in economic impact, it gives us the chance to showcase Kentucky to millions of people across the world.

I hope you will support this endeavor.

Our tax modernization has reduced the taxes on hard working Kentuckians, ending the income tax burden on almost 500,000 of our most needy family members.

We reduced the corporate tax rate nearly 30 percent, eliminated the corporate license tax and closed tax loopholes on companies that sent their profits outside of Kentucky.

Our tax plan, JOBS for Kentucky, is working. This plan helped us get the construction of a new bio-diesel plant, Toyota to build hybrid cars here, and Fidelity Investments to add nearly 1,500 professional service jobs.

General Fund revenues have expanded without a break for 23 consecutive months. This is easily the longest, continuous expansion since at least 1995. Again, without raising taxes.

Kentuckians deserve a government that runs efficiently.

Last week we announced savings of \$120 million this fiscal year alone.

We put 90 million additional dollars in the Budget Reserve "Rainy Day" Trust Fund.

Our bond rating is solid and it is crucial that it remain so.

We have made some tough decisions, but we have made government better. Our parks are better managed. Our regulatory agencies are faster and more responsive. Our technology is getting better.

The surplus is there because our state workers are working harder, smarter and more productively, so we can live within our means.

The Read to Achieve Program is working and under the leadership of the First Lady, we will continue to see gains in the literacy rates of our children.

I would like to recognize my wife and her work on behalf of Kentuckians young and old.

Thank you, Glenna for being with me, every step of the way.

The First Lady is a champion for health initiatives and we've made several advancements in the quality of health care.

We now test newborns for 28 metabolic diseases instead of just three.

Let me again thank you for passing this legislation unanimously.

Dr. Charlton Mabry, a pediatrician from the University of Kentucky, has joined us tonight.

He championed this effort for years and now has seen the result of his work.

On Dec 9th, just five days after new screening began; a metabolic disorder was detected in a Harrison County newborn.

That little boy would have had a 25 percent risk of dying from SIDS had he not been screened. Lives are being saved. Dr. Mabry, thank you.

This session I will call for legislation to benchmark our newborn screening to national standards so that Kentucky will never fall behind again.

And with the work of Senator Katy Stine and Representative Jimmie Lee, we implemented laws to do more to protect our senior citizens from abuse and neglect.

Connect Kentucky is moving forward in its goal to extend broadband access across the state.

Kentucky is leading the nation in broadband growth. In just one year, broadband availability has increased by 28 percent, now covering nearly 3 million Kentuckians.

A broadband connection is a conduit of opportunity. It brings instruction into Kentucky's classrooms, connects entrepreneurs to global markets and allows people to work in their homes.

Valerie Davis is with us tonight. Valerie's multiple sclerosis often makes the 35-mile commute to her job in Paducah difficult

Through Connect Kentucky, Valerie can work from home on her most difficult days. She has called her broadband connection the biggest Christmas present she ever received.

Through our program "No Child Left Offline" we are providing computers to children who would not otherwise have them.

Let me thank the Department of Corrections for refurbishing state surplus computers and for training inmates to be certified Microsoft technicians. I also want to recognize the Appalachian Regional Commission, Microsoft, Lexmark, and Computer Associates for their contributions to this program.

Last year we passed legislation, with the leadership of Lieutenant Governor Pence, Senator Stivers and Representative Lindsay, to strengthen our fight against the scourge of methamphetamine.

Since the bill was enacted we have seen an initial 70 percent drop in the number of meth labs reported in Kentucky. That's outstanding.

We are broadening the treatment of chemical dependency with proven programs and expanding drug testing.

My Recovery Kentucky initiative to build drug treatment centers is moving forward. Today I announced that three more centers will soon be built.

Today we also launched our Ten Year Plan to reduce or end Chronic Homelessness. With us tonight is Philip Mangano, the Director of the National Interagency Council on Homelessness, who has helped revive the national effort. Please welcome him.

With grants through the Office of Drug Control Policy we have also expanded proven programs of instruction in schools that will reduce drug use and enhance school performance.

We are improving Kentucky's record on how we treat our environment.

Recent agreements with sewer districts in Northern Kentucky and Louisville, will...over the next several years...keep up to 5 billion gallons of untreated sewage out of our streams and rivers.

Now, I want to speak to the men and women who bravely deliver valuable energy to America.

Our thoughts and prayers are with the families and friends of the coal miners who lost their lives in West Virginia.

At the personal invitation of Governor Joe Manchin, we will be working with West Virginia to learn everything we can from this tragedy.

With our increased efforts and tough enforcement of the law, we have had the lowest active mine fatalities for the last two years in the history of Kentucky.

But we must not think that such an accident couldn't happen here. We must continue to strengthen our diligence.

We are improving how we remove minerals from our land and the working conditions of the Kentuckians who do this difficult and dangerous work.

We have also decreased the number of black water spills in Kentucky.

We have made it tougher to violate coal truck weight limits.

Compliance is now at 95 percent, and the percentage of overweight coal trucks has dropped from 71 to 3.8 percent. We have seen a reduction in associated fatalities. Again, we are saving lives.

Last week we announced funding for the Kentucky Coal Academy to equip today's miners and the next generation with the skills needed to work safely in an industry that is becoming more technologically advanced.

And, in the process, we are implementing an historic energy strategy to maintain our low energy costs while using Kentucky's natural resources responsibly.

The landscape of Kentucky's farms has changed forever because of the tobacco buy-out. With the help of Kentucky's agricultural leaders and investments from the Agricultural Development Fund, we are preparing to diversify to ensure success in the post-tobacco era.

Our farmers have a head start toward this goal in the era without price supports and quotas, because of that investment and leadership.

Because of your work, Kentucky was the only state to provide a Phase II payment up front to our farmers this past year.

Kentucky is the Horse Capital of the World and I intend to keep it that way by continuing to ensure that this industry-and the basis for our state brand-remains healthy.

The Kentucky Horse Racing Authority has restored integrity by working to ensure fair fields, healthy horses, and improved safety for jockeys, through new race day drug rules.

Through the work of Senator Thayer, we created an incentive program to encourage breeding of horses in Kentucky, the epicenter of the horse industry.

These are some of the remarkable accomplishments we've made together that are beginning to provide a solid foundation for Kentucky's future.

Now it's time to look ahead to what we can do this session.

For too many years, Kentucky has been ranked too low in areas important for long-term economic growth.

We are consistently in the bottom ten states in students who receive high school diplomas, college graduates and per capita income. It is time to change decades of this pattern.

We must set definable goals and strive to achieve them.

Tonight, I want to establish new goals for Kentucky.

Let us move Kentucky from 44th in the percentage of our adult population who have high school diplomas to 25th or higher by 2025.

Move Kentucky from 42nd to 20th in attracting high-tech jobs by 2020.

Move Kentucky from 45th to 25th or higher in per capita income by 2025.

We cannot accomplish these goals if we don't increase our job opportunities and if we don't get healthier and control our health care costs.

Tonight, I am proposing two broad initiatives.

The first is "Get Competitive Kentucky," a series of steps to make us more competitive globally and with our southern neighbors.

And basic to getting competitive is improving education.

To improve education we must keep and attract quality educators.

An important factor toward that goal is increasing teacher compensation.

This session, I will propose a plan for raising teachers' salaries this biennium moving us toward the average of our surrounding states without raiding our rainy day fund.

There has been talk of spending this reserve money. This fund should remain at least at its current level, as it is vital to our credit rating.

I will propose an enhanced professional compensation plan that pays teachers more who receive professional development that is directly related to their classroom work and who take voluntary actions to teach subjects where there is a need or to teach at a low-performing school.

We will increase the rigor of our high school curriculum and graduation requirements so that graduates are ready to meet the demands of post secondary education and the 21st century workplace.

We will work with our colleges of education and arts and sciences across the state to ensure that teachers are trained to teach a curriculum that leads to success so that our graduates have both the depth of content knowledge and pedagogical skills.

The quality of a teacher is the most important factor in the classroom to ensure a student's success and tonight I am proud to introduce a teacher who inspires and challenges his students.

Jeffrey Wright is the 2006 Kentucky Teacher of the Year. Coming from a family of educators, Jeff is passionate about what he refers to as a calling, ensuring that every student learns the principles of physics. He exemplifies the type of teacher we want to reward.

Jeff, thank you for an outstanding job.

We will increase funding for preschool. Much of a child's future success depends on those first years. An investment here will give students, who may be at risk of falling behind, renewed hope.

Kentucky was once a leader in educational technology but we have fallen behind. We must catch up to prepare our students for an increasingly technological world.

I will recommend major new investments in technology to ensure we can track in real time student performance, available on the web, and identify a student that needs intervention before it's too late.

I will also recommend ultra-high speed broadband technology to increase our capacity to get instruction into the classroom that would never have been possible before.

Educational achievement and Kentucky's economic future go hand in hand.

One of the fastest growing sectors in the U.S. economy relates to knowledge-based jobs that have their basis in research.

HB 1 established our goals of post-secondary education. They are lofty and worthy.

I laud the University of Kentucky for developing a business plan to be a top 20 research institution by 2020.

The University of Louisville has made great gains in healthcare and other technologies toward becoming a top research institution as well.

Our regional universities are ever improving, increasing enrollment and providing a better education and working in their areas of special expertise to provide Kentucky with the skills we need.

And let me also commend our community technical colleges and vocational schools that are preparing a skilled workforce for good paying jobs. In fact in manufacturing workforce training we are now ranked 3rd in the nation.

But we must work to improve college graduation rates to reach our goals of improving the educational level of Kentuckians and bolstering the economy.

Our Council on Postsecondary Education and President Layzell have stepped up to assume the responsibilities of HB 1, including funding to accomplish the established goals and overseeing tuition rates.

Funding at the level requested to reach those goals will be challenging and we must continue to work to provide the support our institutions need to succeed.

Last year we embarked upon one of the largest capital building plans in the history of the Commonwealth. And we will make significant capital investments in our universities and technical schools this year, as well.

We can expand that effort and get more value for the taxpayer's dollar by repealing a law that is arbitrary and unfair.

I want to give public universities and schools across our state effectively 6 to 12 percent more for each dollar they spend in construction.

We can build more and better schools to prepare for an expanding workforce by repealing prevailing wage.

To compete in the fastest growing sector, I will additionally recommend new investment funds to spur the growth of new companies for example in the niche areas identified by the Life and Bioscience Task Force.

Previous legislative efforts have attracted many talented researchers to Kentucky. And to take that effort to the next level, I recommend that we give a greater incentive to our research faculties to develop new ideas by allowing them to have a greater ownership of their intellectual property.

As we are pursuing these new areas we will not abandon our traditional efforts that have been successful.

In fact we must strengthen our competitiveness.

I will propose to spur job growth by providing tax relief for small businesses to help address the concerns regarding the alternative minimum calculation.

I recommend we give our workers the choice that has led to greater economic prosperity for families in our competitive states.

Nearly half of those companies looking to build new plants won't consider closed union shop states. We must take Kentucky off their "No-Call List."

Tennessee has dramatically outpaced our job growth and per capita income during the last four decades.

If we become an employee choice state, research shows our economy will grow by more than 22,000 jobs in the coming decade. In actual dollars, this means additional personal income of \$1.3 billion.

Some will say per capita income is lower in employee choice states. However, when you figure in cost-of-living -- that is simply not true.

Income levels in employee choice states have increased by 37 percent while ours has increased at only 28 percent over the last decade.

I think Kentuckians deserve that 9 percent pay raise, and that's what I want to give them.

To have a thriving state, our largest city must be growing and prosperous.

Louisville has long needed an arena. Like major cities to the north and south that have outpaced Louisville, a downtown arena has proven pivotal to success.

Today we announced an economic study showing that a new arena will create \$1.1 billion in revenue over the next several decades

We have a plan for success, and I will ask for your support to issue a 75 million dollar bond to help finance this project.

My second initiative for this session is Get Healthy Kentucky.

My set of proposals will augment the current efforts of the First Lady and the Get Healthy Kentucky board to dramatically improve the health of all Kentuckians.

But there is much to do.

Kentucky is one of the seven worst states in: obesity, diabetes and heart disease. And we are dead last in smoking and lung cancer.

It is time to reverse these trends. We must, for the health of Kentuckians and for the health of our budget.

I am setting a goal for the next decade to be better than the national average by reducing obesity and smoking and increasing activity levels.

This session, I will initiate the Governor's Fitness Program to reduce rates of obesity and promote dynamic wellness and physical activity among our children and adults.

As recommended by the Business Forum on Education and the Kentucky Board of Education, I propose adding additional days of school over the next biennium: one for enhanced professional development, two for instruction.

This expanded school year will allow extra time for fitness and health activities. Our proposed ultra high speed technology will provide health and fitness activities within the classroom to benefit both students and teachers.

Our self insured employee health plan and Medicaid reform will include wellness, health assessments, disease management and incentives to encourage healthy lifestyles.

Currently, 500,000 Kentuckians are without health insurance. They get little if any preventive care. Their diseases are diagnosed in later stages, often when it's too late to effectively treat.

Nearly 80 percent of these individuals or family members work, most for small businesses that cannot afford the rising cost of premiums.

I will propose a small business healthcare plan called ICARE that will help businesses employing 25 or less who have been unable to afford their premiums.

This will be neither an insurance pool, nor an open ended entitlement, but a program with predictable cost and effect.

As part of "Get Healthy Kentucky" I will establish a goal of reducing our highway injuries and fatalities.

In 2005, 71 percent of people who died in traffic accidents were not wearing seatbelts. 71 percent.

Folks, it's time for a Primary Seat Belt Law in Kentucky.

A primary seatbelt law can save 62 lives in just the first year. It can also provide 11 million extra dollars each year for road safety, part of which I will commit to guard rails on our most dangerous highways to protect your constituents.

At the same time I will propose that we raise the speed limit to 70 mph on appropriate highways. Studies suggest that this will not negatively impact highway safety.

Along with improving safety on our highways we must strengthen our effort to reduce smoking. Toward this goal there is another opportunity I strongly encourage you to explore.

Kentucky received a bad deal in the Master Settlement Tobacco Agreement, or MSA.

Our past Attorney General settled for less than 50 cents on each dollar Kentuckians pay to support the MSA.

In contrast, New York settled for \$3.65 for each dollar they pay to support the MSA.

That's a great deal...if you live in New York.

But for you, my fellow Kentuckians, that's not fair and it's not smart.

I suggest we take a serious look at improving Kentucky's return on our tobacco sales.

If we got our fair share, Kentucky would get over \$150 million more each year.

And if we got our fair share, we could dedicate more funds to support secondary education, agricultural diversification and our other pressing needs rather than subsidizing governments in other states.

I want to discuss one of Kentucky's more pressing issues that has been debated for several sessions.

Frivolous medical lawsuits drive costs up and drive doctors out of Kentucky. Rural areas have been especially hard-hit, with specialists like obstetricians no longer delivering babies and neurosurgeons moving out of state.

While this crisis inflicts hardship on Kentuckians and raises the cost of health care, court rulings interpreting our constitution have taken the question out of your hands.

Most Kentuckians would be shocked to learn that Kentucky's legislators are currently prohibited from even addressing the issue.

I support a constitutional amendment to let the people decide this issue of medical lawsuit abuse.

With insurance reform, the establishment of independent review panels and reasonable caps, we can reduce the rising cost of health care in Kentucky and improve accessibility.

It is time we pass this important legislation.

I look forward to working with both President Williams and Speaker Richards on this issue.

As I close, let me recognize Kentucky's veterans. You have served to protect our liberty and the freedom that spurs our quality of life in this nation. Please know that this administration is committed to supporting you.

And where does this freedom come from that many have died to protect?

Our founding fathers recognized that we were endowed with this right by our creator.

So I ask, what is wrong with teaching "intelligent design" in our schools. Under KERA, our school districts have that freedom and I encourage them to do so.

This is not a question about faith or religion. It's about self-evident truth.

In closing, I again say thank you for last year's remarkable legislative session. The momentum of progress is with us and it is my hope that this body-this year-will build on those recent accomplishments to secure a bright and prosperous future for Kentucky. I am confident we share that desire.

We will differ on several of the initiatives I've proposed tonight. Don't let those differences divide us, but let us work through our differences and move Kentucky forward.

With your thoughts, help and suggestions, we will increase student achievement, attract more high-tech jobs and raise the per capita income for working Kentuckians.

We will expand our modernization of Medicaid, reduce the burden of health care costs for small business, curb law suit abuse and promote a healthier Kentucky.

We'll continue the great advances we've made together over the past two years.

Only a partnership between both chambers and the administration will continue to grow prosperity for our state, opportunity for its people and hope for future generations of Kentuckians.

Nearly 150 years ago, one of our greatest Presidents delivered his annual message to the U.S. Congress:

"We cannot escape history," said Abraham Lincoln. "We will be remembered in spite of ourselves."

Likewise, what we do this year will enter the annals of Kentucky history.

We are here to move Kentucky forward and I invite every one of you, Democrats, Republicans, Independents; legislators, and all state employees to join with me as we fight the good fight for our families, friends and neighbors.

Let's do it together.

Good night and God bless.



## 2006 State Budget Address

**Governor Ernie Fletcher**  
**Tuesday, January 17, 2006**  
**07:00 PM**

First Lady, Lieutenant Governor Pence, President Williams, Speaker Richards, Chief Justice Lambert, Constitutional Officers, Legislators, Justices, distinguished guests and my fellow Kentuckians, it is a privilege to be here this evening for the budget address.

President Williams, I understand your father had surgery today and that you have been by his side. Please know our thoughts and prayers are with you and your family.

Our thoughts and prayers are also with Representative Bruce. He is in the hospital and we regret that he can not be with us tonight.

Let me recognize my budget director and friend who has done an outstanding job, Brad Cowgill.

Let me also thank the budget staff for their tireless work in preparing the budget I present tonight for the seasoned advice they have given me.

Last year I recognized Bill Hintze, our retiring deputy budget director. His shoes were big. John Hicks, you're filling them well. Thank you.

And this year another outstanding individual will be retiring from the budget office, Beth Jurek. Beth, thanks for your 30 years of exemplary service.

And let me thank Representative Jeff Hoover for your courage for sponsoring this bill.

The philosophy which has guided my days and decisions in public life hold that each of us is endowed with a boundless potential . . .for achievement and excellence . . .for happiness and prosperity . . . for spiritual peace and virtue.

My singular mission is to bring us all to a place where opportunities are larger, newer, and brighter. So that this boundless potential can be fulfilled in the land of Unbridled Sprit.

Opportunities live in a place where government is an instrument sparingly used . . . a place where a promise made is a promise kept . . . a place where every public dollar is made to work for the public interest.

Taking us to that place of opportunity will:

Move Kentucky from 44th to at least 25th in those with high school diplomas by 2025...

Move us from 42nd to 20th in attracting high-tech jobs by 2020...

Move us from 45th to at least 25th in per capita income by 2025.

And bring our health status to at least the national average during the next decade.

Tonight, I lay before you a budget that is efficient, responsible and progressive. It is a path to reach those goals.

The last two years have been distinguished by two landmark achievements. One, comprehensive tax reform, which has been a remarkable stimulant to our economy.

And two, an unprecedented commitment to government efficiency producing record savings and surpluses.

But here, as in other states, the increased cost of healthcare is draining our pension plans, ballooning our Medicaid program, jeopardizing our health insurance program, and even increasing the cost of housing prisoners.

Cost control is our biggest challenge, and health care costs are the root of the problem.

But working together, we can overcome any problem.

When so many said we must raise taxes to meet our needs, we stayed the course and now our state is recovering from a winter of economic stagnation.

We made new taxes unnecessary by stretching every dollar and creating savings.

Our strategy focuses on better technology with fewer people, working harder and smarter.

The expanding economy has been unflagging, meaning our businesses are more profitable and our families' incomes are higher.

But as we look ahead, three areas of government weigh heavily upon us... The Big Three: Medicaid, the state health insurance program and the pension plans.

With the Big Three weighing upon us, I directed our cabinets to save another \$100 million for the general fund this year.

They exceeded that goal. Two weeks ago, I announced that we were returning \$120 million to the General Fund.

And tonight I am announcing that we have increased that figure.

Let us thank the Cabinet Secretaries, staff and all our state workers for returning a total of \$142 million to the General Fund.

And to Secretary Nighbert for saving \$52 million that can now be used for building roads.

These hard earned savings enable us to make significant strides in education and economic development . . . all within our existing revenue sources and without raising taxes.

Our government can live within its means, should live within its means and will live within its means.

At the end of the last fiscal year, I moved \$90 million into the rainy day fund, the maximum allowed by law.

That money is still there. And our credit rating is stabilized, but the bond agencies are still watching us closely.

As much as any time in our recent history, it is imperative that we maintain at least this solid balance in this fund that protects our people from downturns in the economy, natural disasters, and unpredictable epidemics, such as avian flu.

Our people deserve the protection, stability and low cost of government that a good credit rating provides.

Raiding the rainy day fund is not necessary and it's not good government.

As we plan and dream of what can be, it is tempting to make promises that we cannot afford and to promise programs that we cannot fund.

The wise people who sent us here know that it's not what we promise, it's what we deliver....it's not how much we spend, it's the value of what we get for their hard earned money that's important.

When I was a boy, my father taught that I should have to work for my money. He said it would teach me the value of a dollar. I would spend money more carefully if I had to earn it.

Dad was right. As a ten year old, it was hard work delivering the Lexington Leader...but it was rewarding, delivering that that balanced, conservative newspaper.

Every tax dollar we spend is the result of the hard work of those we serve. We are entrusted with a portion of their toil.

The budget I present tonight will make substantial investments in public education.

The budget I present this evening will increase funding for primary and secondary education by \$160 million in '07 and \$357 million in '08, that's a 10.5 percent increase over 2006.

Our goal...greater education opportunities for our students. As Stu Silberman, the superintendent of Fayette County schools, rightly states, "It's about the kids."

Stu is with us tonight and let us say thank you for caring about our students.

So our goal for spending is...."about the kids"...the objective: to increase student achievement.

From the outset, I have focused on the crucial role of the teacher in the crucible of the classroom.

Now, after my remarks regarding intelligent design and education, some may think I also believe that the Earth is flat.

Well, in a way it is, as it has never been before.

Thomas Friedman, a New York Times columnist and the author of the best seller, "The World Is Flat," states that in the 1990s a whole set of technologies and political events converged..."

"It created a global platform that allowed more people to plug and play, collaborate and compete, share knowledge and share work, than anything we have ever seen in the history of the world."

He also said, "...most of our political elite have not realized that the world is flat."

Our children will compete with students in a global economy.

We know that when students and teachers are together in a classroom.... the magic of learning occurs. In Kentucky, that happens only 175 days a year.

In fact, Kentucky has one of the lowest number of classroom days in the nation.

The national average is 180.

And as important, the average number of days global students spend with their teachers is over 193.

Recognizing this competitive disparity, there is a national trend toward increasing school days. Since 1980, many states have done so.

But, in Kentucky, the school calendar hasn't changed since 1962, the year of the Cuban Missile Crisis.

It is time we gave the students and teachers the tools they need to more effectively compete. I propose that we add one professional day to the first year, and two instructional days in the second.

This investment is a win...win. Teachers' salaries are increased, student achievement is improved and the taxpayer gets a good deal.

As we focus on the crucial role of the teacher, we should continue to expand the number of educators with high energy, high skills and high commitment.

A well-targeted teacher compensation system will help us do that.

Therefore, my budget increases teacher compensation in three ways: first, we will lengthen the school calendar, as I have outlined.

Second, we will provide an across the board cost of living increase.

And third, we will put new money into a program of enhanced professional compensation.

This third element will be a program of differentiated compensation, not merit pay.

Merit pay was seen as an unfair, even punitive approach to teacher compensation during the 1980s.

I will add \$20 million to supplement teacher compensation to address critical shortages in certain academic areas, like math and science, to attract teachers to low-performing schools, and to target areas with high growth or high competition across the borders.

As the Prichard Committee has recommended, we want to compensate teachers for certain functions, like teacher coaching and acquisition of skills and knowledge, which are needed to increase student achievement.

The state board of education will receive school district proposals. Guided by a statement of principles they will distribute these funds to enhance teacher compensation statewide.

This total compensation package will provide additional 233 million dollars funding for teachers salaries over the next two years for an increase of 6.5 percent.

In addition to increasing salaries, it is important to continue to provide quality healthcare for our teachers.

Since the first day, I've worked with an outstanding staff toward self insuring state employees and teachers.

We've accomplished that and we are saving money as we maintain an effective health insurance plan that will augment our effort to attract and maintain outstanding educators.

Within the classroom the most malleable and absorbing students are those in their tender years. That's why, what we do in a child's early years, has such lasting impact.

In one of my visits to an inner city school, I reviewed some Brigrance scores and realized how fortunate most of us are. Our parents didn't have the disadvantages that many face.

I saw students who could not play the simple games I played with my kids and grandkids. Where's your nose, where's your ear, where's your chin?

If special attention isn't given, those children remain at risk of falling further behind and facing a closed door to life's opportunities.

My budget proposes 23.5 million new dollars for pre-school. That's a 46 percent increase and will fully fund preschool and finally match the KERA mandate.

I propose a matching program for Ready, Set Success that has ushered community resources to prepare each child for school by age six.

Let me recognize the First Lady, Representatives Wuchner, Draud and Fisher for their strong interest in this program which has proven so effective in northern Kentucky.

Tonight, I am also proposing a \$4.3 million investment in training our secondary students to be placed in high-demand, high-need careers. The result... 2,700 students will be better prepared for a technical career and higher paying jobs.

Higher education does equal higher return: for our citizens, for our society, and for our economy.

Our last budget made significant investments in higher education. In fact we ranked 10th nationally for funding increases.

We can be proud that Kentucky's college-going rate now exceeds the national rate.

More people are going to college, and more people are graduating.

Adult education enrollment has increased 144% in just five years.

I would like to introduce Melissa Cheek.

By being a full-time student at Morehead State University's West Liberty campus, she is setting an important example for her three children. Melissa, thank you for being with us tonight.

My budget includes a \$140 million or an 8 percent increase in total funding for postsecondary education over the biennium.

There is \$115 million for operating funds in addition to a significant capital investment program.

It recognizes the council's benchmark funding process.

\$67 million dollars will go directly into the universities' and colleges' budget. While this amount is less than requested by the Council for Postsecondary Education and the institutions, it is affordable and sustainable, and is distributed in a manner that will maximize our return on investment.

Frankly, this is an area where I would like to do more.

A study released this summer concludes that higher education is reasonably affordable for most state students. However, that is not true for all students.

I have increased student scholarships by \$33 million, or 13% over two years and I fully fund the KEES program.

I propose nearly half of my capital budget, \$482 million, go toward postsecondary education. To include completing projects that were begun in the last budget, such as the UK Bed Tower.

Also, we've added more research space at U of L and recommend building a new UK pharmacy building for their top ranked Pharmacy School.

I have recommended projects at our regional universities that will help them meet their goals and growing needs.

I recommend that we continue to strengthen KCTCS and have proposed projects in the north, southeast and west designed to build careers.

Probably the fastest return on investment is to help adults improve their skills and earning power as 50,000 Kentuckians did last year.

So I increased the commitment to adult education by \$4 million over the biennium.

And working with Secretary Fox,...Commissioner Wilhoit and Dr. Layzell are improving the transition from one level of education to the next.

As part of that collaborative effort, tonight I want to announce funding for a very important initiative: the Kentucky Education Network.

This investment will put our entire educational system on a common, high-speed network.

It will connect every school, every university, every school district, adult education centers and all education related agencies of government through the same electronic pipeline, resulting in more collaborative efforts, better information, and ultimately better education for all students.

For students, this will eventually allow us to test, track and intervene when necessary....reduce the time teachers spend grading the required tests....with scores available on the web immediately.

To fund this project, my budget contains \$59 million in new funding...including \$37 million in bonding and \$22 million in general funds.

My family is from eastern Kentucky and I was born in those foothills. Job creation there is more difficult. Infrastructure is challenging, but one thing is clear...many of the poor performing schools unfortunately are there.

And to improve economic development in this region, we must improve education.

With the windfall of Coal Severance tax we can now give the school children better opportunity.

I ask you to look favorably on my proposals. They are targeted and effective at improving student performance and creating opportunity and they leave sufficient funds in your single- county money for other needed projects.

I propose we invest \$5 million from multi-county funds into need-based scholarships.

This will meet the scholarship needs in coal counties, both east and west, and this program, will for the first time provide scholarships for part-time students.

Michael Goble is with us this evening.

He is a first generation college graduate from Floyd County and earned his bachelor's degree from Eastern Kentucky University.

And with a personal recommendation from President Glasser, he is now in his second year of medical school at UK.

This would not have been possible without scholarships and hard work.  
Congratulations, Michael.

"Read to Achieve" is working and I propose that we expand the program by \$4 million in coal counties. As the First Lady says, "If you get the reading right the rest will fall into place."

Tonight, Matt Hardy, a third grader is with us. The First Lady read to his class during one of her many school visits reading to children.

He wrote back, "I enjoyed hearing you read in the art room on Tuesday. Man, when I grow up...I could be the President. Yours truly, Matt Hardy."

Matt, thanks for being here and for appreciating the importance of reading.

Also, I recommend that money be earmarked to replace the 14 year old computers in coal county classrooms.

For our outstanding national guard, I once again fully fund the National Guard Tuition Assistance Program.

Within the UK business plan, it states that we do not have enough jobs for our graduates. Unfortunately, this is true.

And if we increase our graduation rates without encouraging entrepreneurs and businesses, we will be simply subsidizing education for other states.

We cannot attain our educational goals unless we have a strong growing economy.

To grow our knowledge-based economy, we must expand our applied research. Let me introduce Dr. Daniel Wermeling, a research entrepreneur.

His company, Intranasal Technology, at the University of Kentucky's Coldstream Campus is taking off. Congratulations Dr. Wermeling for staying in Kentucky, improving healthcare and supporting our economy.

We have other research niches....U of L's expertise in transplant medicine, cardiology and cancer research. UK and U of L's work in bio- and nanotechnology is promising for the future.

In this budget, I have provided \$20 million in operational funds and \$20 million in bonding for the high tech construction and investment pool to support new economy initiatives. This will also target small business innovations and bioscience research.

The Department of Commercialization and Innovation will manage our efforts to encourage entrepreneurship and new high-growth ventures and create new opportunities from our intellectual capital.

I am continuing our investment in energy research, which will help us keep commercial energy rates the lowest in the nation, promote clean coal technology for growing energy markets, tap the potential of coal-bed methane and vie for the \$1 billion FutureGen project.

As expected, you will find a request for \$75 million for the Louisville arena. This is important for all of Kentucky.

This project will generate \$1.1 billion over the next two decades...more revenue than it takes to build it.

I was raised a Wildcat fan, but I like the Cardinals too and they need this new arena.

This budget also includes \$35 million for a new arena at the Kentucky Horse Park. This new indoor show ring for the World Equestrian Games will make us a premier equestrian sports destination.

With us tonight is David O'Connor.

David, an Olympic gold medalist, is the president of the U.S. Equestrian Federation and has dreamed of this day, bringing the games to our country.

David, Kentucky is proud to fulfill your dreams!

Let me now thank Secretary Strong and his staff. There is no better economic development team in the country and he will lead our Ryder Cup commission. He is not here tonight, he's out ginning up more business for Kentucky.

In today's business world, to stay competitive one must play in the international arena.

Exports to foreign countries contribute over \$12 billion annually to Kentucky's economy and provide more than 121,000 jobs.

To assist our exporters, we need an office in China's financial center, Shanghai. My budget contains the funding for this office.

To stimulate small business, I have included \$13 million to reduce the alternative minimum calculation for businesses with gross receipts less than \$10 million.

In fact, I will entirely eliminate the AMC for companies with receipts less than \$2 million. This will reduce taxes for 70,000 Kentucky businesses.

To provide more start-up money for small businesses, I propose eliminating the cap on tax credits for qualifying venture capital businesses who invest directly in Kentucky.

I am announcing a minority small business pilot program which will assist minority entrepreneurs and provide micro-loans.

I have also added \$20 million to fund ICARE. This healthcare plan will support businesses with up to 25 employees that have not been able to offer health insurance. It will provide premium assistance from 40 to 60 dollars to help 4,000 small businesses.

As I said in the State of the Commonwealth, nearly half of those companies looking to build new plants, put Kentucky on their "No-Call List."

I recommend we give our workers the choice that has led to greater economic prosperity in our southern competitive states.



I do not make this suggestion lightly. My father was a union steel worker and I support collective bargaining. In fact, I helped it pass for our police and firefighters.

I understand that this may be a difficult issue for some of you, but, we cannot live in the past. Employee Choice would confidently create 22,000 additional new jobs and would produce \$20 million over the next biennium in new revenue without raising taxes.

In fact, if Kentucky had passed this legislation a decade ago, we would have an estimated \$565 million more in this biennium from income taxes alone.

Think what we could be doing with that for education, healthcare and pension programs, in addition to reducing taxes that would even further stimulate our economy.

My budget does not contain the language for Employee Choice, but, it does include the \$20 million awaiting us, if you pass this legislation. With this money I fund one of the two additional instructional days for our students.

I hope you decide to give Kentuckians higher incomes and another day of school.

Part of "Get Competitive Kentucky" is an outstanding System of Safe Highways.

In the past two years, we embarked on near-record-funding for the safety and maintenance of our transportation infrastructure.

In this budget I recommend \$75 million in new highway bonds for counties and cities similar to last year's successful program and \$290 million in GARVEE bonds to help improve our interstate highways.

This budget includes an increase of \$98 million in funding for our existing highway system.

Kentucky has been long known for its outdoor sports. And our Department of Fish and Wildlife and other organizations have done an outstanding job restoring, what has become, the largest Elk herd in the Eastern United States.

To take advantage of this beautiful resource, I recommend taking \$3 million of multi-county coal severance funds to purchase easement rights for several thousand acres and build a viewing area to allow more people to enjoy these amazing animals.

This will become a major tourist destination.

My last budgetary initiative for "Get Competitive Kentucky" is repeal of Prevailing Wage.

Prevailing Wage law results in higher construction costs and fewer building projects including schools.

School buildings and university projects generally comprise a big share of the state's capital construction.

In fact, I propose \$603 million for education projects.....that's 64 percent of all budgeted capital construction.

The budget I submit to you has shown restraint in these projects and conforms to the 6 percent rule which has served us so well.

But we want to get the most out of every dollar.

I believe the time for Prevailing Wage laws has come and gone. It makes every school building more expensive.

Just last year, Pike County school superintendent, Frank Welch found that the Prevailing Wage law was a significant factor, among other issues that drove up the cost of the Belfry High School from \$18 to \$32 million.

Simply passing my budget with this language will result in a savings of nearly \$60 million.

As part of "Get Healthy Kentucky, let me turn to one of the Big Three, Medicaid.

The current Medicaid program must be transformed into a 21st Century health delivery system. We have laid the framework for fundamental change.

Tonight, I am proud to announce that we have received initial federal approval for our comprehensive Medicaid reform, Kentucky Health Choices.

I understand we are one of only three states to have received such approval.

This represents a major milestone as we move to modernize and enhance Medicaid.

With the total cost of Kentucky's Medicaid Program approaching \$5 billion, Kentucky Health Choices will represent the most significant change since Medicaid's inception.

Let me thank Secretary Birdwhistell and a wonderful health care team for their outstanding work. Because of you we have the best Medicaid modernization plan in the nation.

The goal of Kentucky Health Choices is two-fold:

--To stretch resources to appropriately care for Medicaid recipients...

--And to encourage recipients to become healthier by allowing them to play a greater role in their own healthcare decisions.

Additional General Funds for Medicaid Benefits include \$68 million in the current year, almost \$90 million in '07, and \$130 million in '08 to meet the needs of over 700,000 Kentuckians...largely children, elderly and persons with disabilities.

As we modernize Medicaid we have also added over 114 million dollars of federal and state funding for:

Community Living...Alternatives for Children Program...mobile technology for protective services, mental health and mental retardation services, supported living, crisis stabilization support services, public health and services for the elderly.

The last of the Big Three is our pension requirements.

Like most public and private pensions, our retirement systems for teachers and state employees face funding challenges.

The increasing cost of healthcare, the aging of our workforce, the increasing costs of pension benefits, and the variability of investment returns, have all contributed to projected actuarial deficits.

The obligations to those who have served our state is not negotiable and this administration will meet those requirements.

But these challenges did not arise overnight, and we cannot, at the expense of all other priorities and obligations, close the gap in one fell swoop.

My budget includes a significant increase in the employer contribution rate for the Kentucky Employee Retirement System.

I propose a 24 percent increase in the first year and a 10.9 percent increase in the second year. With these increases, we will raise the rate to the highest it has been since 1999.

The primary challenge faced by the Kentucky Teachers Retirement System is the increasing cost of health care.

My budget proposal maintains the health insurance program for retirees, but necessarily relies on financing mechanisms that have been used in the past, but that are unsustainable in the long run. We must address this issue over time.

This funding ensures benefits through the next biennium.

After a successful 2006 transition to a self-funded plan the Commonwealth is now taking full advantage of a single administrator that is statewide with uniform coverage.

This step enables us to better manage the health coverage, delivery and continuity of care for our employees and their families.

Only because we are self-funded are we able to maintain this level of coverage.

Let me commend Lieutenant Governor Pence for his leadership in corrections.

Tax payers are now paying almost 40% less for inmate healthcare without compromising care. That translates to more than 49 million dollars of expected recurring savings.

I recommend funding for an additional 109 probation and parole officers.

My budget includes an additional \$60 million to fund these and the addition expected inmates.

Full funding for Kentucky State Troopers is essential to public safety. At this point, KSP is only funded for 950 troopers, but authorized for 1,070.

The fastest and most cost efficient way to effectively add troopers is to authorize overtime. The 8.5 million additional dollars I recommend for KSP overtime will be equivalent to 50 more troopers protecting our communities.

Before I close, let me say I've learned a great deal these two years as Governor.... about life and about justice. Now, I have a greater appreciation for the rights of every individual.

With that new insight, I want to commend Mr. Ernie Lewis for his work as our Public Advocate and to let all those, who defend those who can't defend themselves, know that I have added an additional 6.2 million dollars for their work.

In closing, let me again recommend, with even more confidence, that we should substitute a cigarette assessment on tobacco companies for the declining payments of the Master Settlement Agreement.

One, it will not risk our future payments. Two; it is not a tax increase. Three, it will provide an additional \$150 million each year that we have been sending to support the governments of other states.

With that additional money I will propose:

\$45 million in small business tax cuts

\$40 million for postsecondary education

\$25 million for public employee and teacher retirement systems

\$19 million for teachers for another instructional day

\$10 million for the agricultural development fund

And additional money for debt service for projects.

In conclusion, I have outlined a budget that is efficient, responsible and progressive.

It is efficient because by good management we have saved the tax payers about \$300 million dollars.

It is responsible because we haven't made promises that we cannot keep.

It preserves the rainy day fund, it keeps our capital expenditures under 6 percent of revenue and it gets the most for every tax dollar.

It is progressive because it brings Medicaid in line with 21st Century medicine, it builds the technological tools for a connected, seamless education, it attracts and retains quality educators, it creates a more business friendly Kentucky, it takes our largest city to a new level and it will take us to a place where opportunities are larger, newer, brighter and more.

It makes us more competitive and healthier.

As you begin your budgetary deliberations, let me again thank you for last year's remarkable legislative session.

Because of that session we are here tonight with a Kentucky that is more prosperous.

Although we espouse many of the same goals, we will have our differences.

Don't let those differences divide us. let us work through our differences, let us forge a partnership between both chambers and the administration to pass a budget that will move Kentucky forward.

We can not leave here without a budget.

My door is always open to you for productive discussions.

If we keep the door of productive communication open, we will leave this session together with a budget that will take us to a place called "opportunity".

Thank you and God Bless.